

Sample article for organizations and employers to use to reach customers

Customize and provide the following article in your communication vehicles for people considering early distributions from their 401(k) plan.

Withdrawing money from your 401(k) plan? Read this first.

A 401(k) is a long-term plan that helps you save money for your retirement. Although it may be tempting or even unavoidable for you to withdraw money from the plan before retirement, you should know the consequences of doing so.

Aside from the obvious consequence of reducing the amount available when you retire, there are also tax consequences of an early distribution. Generally, you must pay income tax on most distributions from a 401(k) plan. However, if you take an early distribution, you may also have to pay an additional 10 percent tax unless you:

- are over 59½ years of age, or
- qualify for another exception to the additional 10 percent tax.

Many 401(k) plans do allow you to withdraw distributions early without a penalty for certain events that cause you, your spouse or your dependents to suffer a financial hardship. For example, some 401(k) plans may allow an early distribution to pay for:

- medical or funeral expenses,
- tuition and educational expenses, or
- the purchase of a primary residence.

So, consider the consequences before dipping into your retirement savings.

And see IRS's [Your Federal Income Tax, Publication 17, page 81](#) for additional information on the tax consequences of withdrawing from your 401(k) plan.

NOTE TO EDITOR: *Below are helpful resources on retirement topics on the IRS Website.*

- [Topic 424: 401\(k\) Plans](#) – information regarding 401(k) retirement plans.
- [Topic 558: Tax on Early Distributions from Retirement Plans](#) – explains when the additional 10 percent tax applies on early distributions from retirement plans.
- [Retirement Plans FAQs regarding Hardship Distributions](#) – explains how and when you can receive an early distribution from your retirement plan based on financial hardship.
- [Publication 560, Retirement Plans for Small Business](#) – explains different retirement plans available to employers and contains information for people who are participants of retirement plans.
- [Publication 17, Your Federal Income Tax](#) – covering general rules for filing a federal income tax return.