

Sample article for organizations and employers to use to reach customers (357 word count)

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

Avoid early withdrawals from your 401(k) plan

A 401(k) plan is designed to help you save money for when you retire. Sometimes it may be tempting or even unavoidable to withdraw money from the plan before retirement. But before you do, consider the consequences of taking an early distribution.

Many 401(k) plans allow you to get an early distribution due to certain events (listed in the plan) that cause you, your spouse or your dependent(s) 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.

Aside from the obvious consequence of reducing the amount available when you retire, there are also tax consequences of an early distribution. You generally pay income tax on 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](#).

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

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NOTE TO EDITOR: Below are helpful resources on retirement topics on [IRS.gov](#).

- [401\(k\) Plan Overview](#) – provides general information about 401(k) retirement plans, including annual contribution limits and types of contributions.

- [Topic 558: Additional Tax on Early Distributions from Retirement Plans Other Than IRAs](#) – explains when the additional 10 percent tax applies on early distributions from retirement plans.
- [Retirement Plans FAQs regarding Hardship Distributions](#) – answers common questions about how and when you can receive an early distribution from your retirement plan based on financial hardship.
- [Publication 575, Pension and Annuity Income](#) – describes the tax rules for distributions from various types of retirement plans.

On Twitter? Send these Tweets:

- Read before taking an early distribution from your #retirement plan
<https://go.usa.gov/xRpcq> #IRS
- Learn how your employer can help you save for #retirement
<https://go.usa.gov/xRpca> #IRS