

## Sample article for organizations and employers to use to reach customers

*Customize and provide the following article in your communication vehicles for your audience.*

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### Know the consequences before withdrawing money from your 401(k) plan

A 401(k) plan helps you save money for when you retire. Although it may be tempting or even unavoidable for you to withdraw money from the plan before you retire, you should know 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, 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 have to 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.*

- [Retirement Topics - Tax on Early Distributions](#) – information on how and when early distributions from IRAs and retirement plans are taxed.
- [Retirement Topics - Hardship Distributions](#) – lists circumstances under which a retirement plan may allow participants to receive a hardship distribution.
- [Publication 575, Pension and Annuity Income](#) – explains how retirement plan distributions are taxed, including the tax on early distributions and exceptions to this tax.

**On Twitter?** Send these Tweets:

- Read this before withdrawing money from your #retirement plan <http://go.usa.gov/3PWzx> #IRS
- Get information about different types of #retirement plans <http://go.usa.gov/3PWfe> #IRS