

Sample article for organizations to use in reaching employees and others (176 word count)

Customize and provide the following helpful retirement savings information in your communication vehicles.

401(k) plan hardship distributions - consider the consequences

If you suffer a financial hardship, you might be able to withdraw money from your 401(k) plan before you retire. Some 401(k) plans may allow a hardship distribution to pay certain expenses for you, your spouse, your dependent or your primary beneficiary, for example:

- medical expenses,
- funeral expenses, or
- tuition and related educational expenses.

However, you should know the following consequences before taking a hardship distribution:

- The amount of the hardship distribution will permanently reduce the amount you will have in the plan when you retire.
- You must pay income tax on any previously untaxed amount of the hardship distribution.
- You may also have to pay an additional 10% tax, unless you are 59½ or older, or qualify for another [exception](#).
- You may not be able to contribute to the plan for six months after you receive the hardship distribution.

Remember, a 401(k) plan is designed to help you save money for your retirement while you're working. So, consider the consequences before dipping into your retirement savings.

NOTE TO EDITOR: Below are links to helpful retirement plans information on [IRS.gov](#).

- [Retirement Topics – Hardship Distributions](#) – information on the circumstances under which a 401(k) plan may allow a hardship distribution.
- [Retirement Plans FAQs Regarding Hardship Distributions](#) – questions and answers on the types of hardships that qualify for these distributions and the maximum amount of these distributions.
- [Publication 575, Pension and Annuity Income](#) – explains how retirement plan distributions are taxed.
- [Retirement Topics – Exceptions to Tax on Early Distributions](#) – information on when you don't have to pay an additional 10% tax on early distributions.

On Twitter? Send these Tweets:

- Get information on taking money from your #retirement plan for a financial hardship <http://go.usa.gov/bdeF> #IRS
- Learn about various types of #IRA and #retirement plans <http://go.usa.gov/bdtT> #IRS

