



Important information to consider when thinking about taking a hardship withdrawal

Ideally, your money should stay in your retirement plan account until you retire. Realistically, though, there may come a time when you need to access your retirement account funds early to pay for an emergency or unexpected expense. In a financial crisis, you may decide to take a hardship withdrawal.

Here is what you should know about hardship withdrawals before you take out any money from your retirement account.

Hardship Basics

A hardship withdrawal is not like a plan loan. The withdrawal may be difficult to get, and costly if you receive it. Remember, your 401(k) is meant to provide retirement income. It should be a last resort source of cash for expenses before then.

To qualify for a plan hardship withdrawal, you must exhaust all plan loan options. Also, withdrawals are limited to the following circumstances:

- for the purchase of your primary residence
- to fund un-reimbursed medical expenses described in the Internal Revenue Service Code
- to pay tuition and related educational fees for post-secondary education for you or members of your family
- for expenses associated with the funeral or burial of your deceased parent, spouse, child or dependent
- to pay expenses for the repair of damage to your primary residence resulting from fire, storm, shipwreck, theft or other casualty
- to prevent eviction from your current residence

Hardship Headaches

Drawbacks include:

- paying taxes and, possibly, penalties on the amount withdrawn
- missing out on the tax-deferred growth of the money you withdraw and
- being temporarily prohibited from contributing to the plan or receiving matching company funds for [six months]

All these drawbacks further compromise the amount you may be able to save for your retirement.

Alternatives to a Hardship

Before taking a hardship withdrawal, be sure you've explored all other options including borrowing the money from a family member or borrowing against your home equity line of credit. If you have additional questions on this topic, contact your Human Resources Representative or call an M&I Retirement Services Specialist 24 hours a day, 7 days a week at 1-800-858-3829.

Source: www.401khelpcenter.com