

When can I take withdrawals?

Withdrawing taxable funds from a tax-deferred retirement account before age 59½ generally triggers a 10% federal income tax penalty, on top of any federal income taxes due. (Distributions from Section 457(b) plans are generally not subject to an early distribution penalty; and the penalty for distributions from SIMPLE IRA plans during your first two years of participation is 25%, 10% thereafter.) However, there are certain situations in which you are allowed to make early withdrawals from a retirement account and avoid the tax penalty. (Check your specific plan provisions to see whether a particular withdrawal option is available.)

IRAs and employer-sponsored retirement plans have different exceptions, although the rules are similar.

IRA Exceptions

The following distributions are not subject to the 10% penalty tax:

- **Death of the IRA owner:** Distributions to your designated beneficiaries after your death. (Beneficiaries are subject to annual required minimum distributions.)
- **Disability:** Distributions made due to your qualifying disability.
- **Unreimbursed medical expenses:** Distributions equal to the amount of your unreimbursed medical expenses that exceed 10% of your adjusted gross income in a calendar year. (You don't have to itemize deductions to use this exception, and the distributions don't have to actually be used to pay those medical expenses.)
- **Medical insurance:** Distributions made to pay for health insurance if you've lost your job and are receiving unemployment benefits.
- **Substantially equal periodic payments (SEPPs):** Distributions you receive as a series of substantially equal payments over your life expectancy, or the combined life expectancies of you and your beneficiary. You must withdraw funds at least annually based on one of three rather complicated IRS-approved distribution methods. You generally can't change or alter the payments for five years or until you reach age 59½, whichever occurs later. If you do, you'll again wind up having to pay the 10% penalty tax on the taxable portion of all your pre-59½ SEPP distributions (unless another exception applies).
- **Qualified higher-education expenses for you and/or your dependents.**
- **First home purchase, up to \$10,000 (lifetime limit).**
- **Qualified reservist distributions:** Certain distributions to qualified military reservists called to active duty.

Employer-sponsored Plan Exceptions

The following distributions are not subject to the 10% penalty tax:

- **Death of the plan participant:** Upon your death, your designated beneficiaries may begin taking distributions from your account. Beneficiaries are subject to annual required minimum distributions.
- **Disability:** Distributions made due to your qualifying disability.
- **Part of a SEPP program (see above):** Distributions you receive as a series of substantially equal payments over your life expectancy, or the combined life expectancies of you and your beneficiary. You generally can not modify the payments for a period of five years or until you reach age 59½, whichever is longer.

- **Attainment of age 55:** Distributions made to you upon separation of service from your employer. The separation must have occurred during or after the calendar year in which you reached the age of 55 (age 50 for qualified public safety employees).
- **Qualified Domestic Relations Order (QDRO):** Payments made to an alternate payee under a QDRO.
- **Medical care (see above):** Distributions equal to the amount of your unreimbursed medical expenses that exceed 10% of your adjusted gross income in a calendar year.
- **To reduce excess contributions/deferrals:** Distributions made to correct excess contributions you or your employer made to the plan over the allowable limits.
- **Qualified reservist distributions (see above).**

If you plan to withdraw funds from a tax-deferred account, make sure to carefully examine the rules on exemptions for early withdrawals. For more information on situations that are exempt from the early-withdrawal income tax penalty, visit the IRS website at [IRS.gov](https://www.irs.gov).

For more information about taking withdrawals from your retirement plan, contact your financial professional or call Security Benefit at 800.888.2461.

Prepared by Broadridge Advisor Solutions, Copyright 2020.

The educational information provided here is provided by Broadridge Investor Communication Solutions, Inc. (Broadridge).

Neither Broadridge Investor Communication Solutions, Inc. nor Security Benefit provides investment, tax, legal or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

Broadridge and Security Benefit are not affiliated.

Security Benefit, its affiliates and subsidiaries, and their respective employees and representatives, do not provide tax, accounting, or legal advice. Any statements contained herein concerning taxes were not intended as and should not be construed as tax advice, nor should they be used for the purpose of avoiding federal, state, or local taxes and/or tax penalties. Please seek independent tax, accounting, or legal advice.