00:00:10:00 - 00:00:16:12

Speaker 1

Welcome. My name is Andrew Baron, and this is Well… It Depends!

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Speaker 1

The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I asked a question Should I tap into my retirement fund? But before we begin a short disclaimer, this is being recorded on March 29th, 2024. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice.

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Speaker 1

It's important to consult with a professional before making any financial decisions as to strategies discussed may not be suitable for a specifically.

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Speaker 1

First off, let's discuss the immediate impacts taxes and penalties. If you were under age 59 and a half, not only will you increase your taxable income, but you face a 10% early withdrawal penalty. This means that you'll receive significantly less than the market value, which you might otherwise be banking on.

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Speaker 1

It's not always a clear cut, no.

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Speaker 1

However, the IRS provides certain exceptions for qualifying events such as a first time home, purchase, medical bills and paying for education. While these exceptions may provide short-term relief, they still require careful consideration on the long term and overall effects on your retirement savings. Roth IRAs always allow you to withdrawal your original contributions, tax and penalty free. However, before accessing any retirement funds, you should exhaust all other options such as emergency savings, selling stock or other assets, or accessing a home line of credit.

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Speaker 1

As you would imagine, each of these come with their own trade offs and benefits.

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Speaker 1

Here's a final consideration.

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Speaker 1

What about opportunity cost? Any money withdrawn from a retirement account can no longer compound and grow over time. This means that an early withdrawal can have lasting effects and ultimately have a higher cost than the immediate relief that it provides.

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Speaker 1

To recap, ultimately, it's a decision between your immediate and future needs understanding the taxes and penalties involved and considering all other financial resources at your disposal. So to answer the question, should I tap into my retirement fund? Well.. It Depends!

Speaker 1: Andrew Baron, CFP®, EA