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May 1999 - Financial Planning Idea

Be very careful with your retirement plan money!

If you get in a financial bind and withdraw funds from a retirement plan before age 59 ½, you usually pay a 10% penalty on top of Federal and State income taxes at your highest tax bracket. Whether your income is \$25,000 and you receive earned income credit, or you earn \$80,000 or more, you will generally pay over 40% in taxes and penalties on any early withdrawal. That's over \$2,000 taxes on each \$5,000 withdrawn!

It usually works like this. You have 20% tax withheld from the withdrawal, or \$1,000 tax on each \$5,000 you take out. You think the tax is paid, but when you file your tax return you owe another \$1,000!

The bottom line is: Get emergency money any other way you must, even an expensive credit card cash advance (your last resort) is often half the cost of taxes and penalties on early retirement withdrawals.

Call me (435-635-3684) for more information on this subject!