

TIME IS MONEY

The Consequences of Early Retirement Withdrawal

When it comes to your retirement savings, adopting a long-term perspective is key. The old adage “time is money” has never been truer. You may think you’d benefit from an early retirement withdrawal, **but did you know there are penalties, and you’ll also lose valuable time for your money to potentially grow for your future?**

So what exactly will you give up with an early 403(b) retirement withdrawal?
Let’s take a closer look to find out:

What is an early withdrawal?

If you receive distributions from your retirement account before reaching age 59 ½, they are considered early distributions, and **you will likely be subject to early withdrawal penalties.**

What will it cost me?

Plan Withholdings – 20%

Your retirement plan is required to withhold 20% of your retirement savings for federal income taxes, and you may potentially owe state income taxes depending on where you live.

IRS Tax Penalties – 10%

Early distributions are typically subject to an additional 10% tax and must be reported to the IRS.

Total Forfeited Savings – Is it worth it?

Let’s say you take a \$10,000 early retirement withdrawal. GuideStone is required to withhold \$2,000 as the 20% retirement plan withholding. During tax time, you will owe \$1,000 as the 10% IRS penalty. Essentially, you will pay a total of \$3,000 in taxes (in this case, 30%). That means, before making any required state income tax payments, **you will be left with only \$7,000.**

Potential Forfeited Growth – Could’ve, would’ve, should’ve?

Rather than taking a \$10,000 early retirement withdrawal, let’s say you keep the \$10,000 invested over the next 20 years at an assumed rate of return of 6% per year. Potential accumulations could exceed \$30,000! Ask yourself: Is it really worth forfeiting thousands of dollars in potential growth?



\$10,000

Invested over **20 years** at an assumed rate of return of **6% per year**



\$30,000

Are there any penalty exceptions?

There are a few exceptions to early withdrawal penalties. You are not subject to early withdrawal penalties when taking distributions from your retirement account if any of the below exceptions are applicable to your situation. But you should still carefully weigh the consequences of accessing your money before retirement.

Reach Age 59 ½	Age 55 (Early Retirement)
72(t) Payments	Medical Distributions (If Eligible)
Death and Disability	Minister's Housing Allowance
Reservist Distributions	Satisfy a Federal Tax Levy
Distribution of Roth Elective Deferrals (Not Earnings)	Qualified Domestic Relations Order (QDRO) Distributions

Your Future Is Important — Be Prepared

Remember, it's your retirement account for a reason — treat it like one!

Carefully consider the consequences of taking an early withdrawal so you don't lose money and time for potential growth.

It's best to stay invested, keep saving and plan ahead for a confident financial future.

To learn more about early withdrawal penalties and other financial considerations, contact GuideStone at **1-888-98-GUIDE** (1-888-984-8433).