Tom: In this episode, we're going to talk about whether to take money out of a retirement account. Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode thirty-four or maybe we should say thirty-thor. There's plenty of other Met pitchers who wore number thirty-four. Some kind of famous, some not famous at all. right now, he's quite a specimen. Big guy, long hair, throws hard and let's hope he has continued health and get's the job done for our Metsees going forward. In episode thirty-four, like all the other episode, what we do here is we get questions that come in from our clients, from our viewers and they've got really good questions. Sometimes they're a little tricky. Sometimes they're pretty basic but the point is if you're thinking about it, there's probably a lot of other people who are thinking the same thing too. Get in touch with us and let us know what your questions are about money management, about financial planning, about investing. We'll be happy to help you out and you may find it on an upcoming video. Casey, what's on tap for today?

Speaker 2: I'm thinking about taking some money out of my retirement account, but I'm not really sure. Do you think that this is a good move?

Tom: The answer is it depends. I think a lot of financial planners, most financial planners, will tell you absolutely not. Don't ever take money out of a retirement plan. You got to pay taxes. That's money for retirement. You need this down the road. I'm going to talk about something else. I really think that if you've got a debt out there that is bugging you, I mean it's bugging you, and you're sitting in investments that maybe ... This particular instance someone came to us and they had all of their money sitting in a guaranteed account. They were getting one percent. They didn't want to go into the market, they didn't want to take risks, they didn't want to do any of that stuff but they've got all these debts that are killing them. It's not a lot of money.

In this particular case, he wanted to take out about ten percent of the value of the account. It certainly wasn't going to be anything that was going to change his lifestyle today or twenty years from now in the future but it gave him something that he wasn't getting; peace of mind. He's retiring a debt that he's paying. It's actually a couple of debts. The lowest interest rate was seven percent. He had some that were paying double digit interest rates on. This guy feels good but he got advice that I think makes a lot of sense for his situation. Like I said before, most financial planners would tell without even looking at the details, they would be like, "Dumb idea, don't ever do that. Figure out some other way to do it."

There's a big value and we can't place a number on it. There's a big value on peace of mind. That's a really big deal. We talk a lot about it with our clients. In this particular case, we had someone who worked for a municipality, civil servant. He was able to retire before age sixty. This is important to realize, in this particular case and it's a case by case basis, but in this particular case he did not have a 401k plan he had a 457 deferred compensation plan. They look a lot like 401k's. However, in this case, he could take early retirement, has a pension, has money saved in this deferred compensation plan. He couldn't touch it though while he was working. The only way he could get money out of that would be to take a loan and then basically you're retiring one loan but you're picking up another payment somewhere else. That may not work.

In this particular case, he's separating from service so he can take the money out. Yes, it's going to be taxable for him, however, deferred compensation plan allows you to take money out without that ten percent penalty prior to age fifty-nine and a half. Now, if he worked for a company and had a 401k plan, even if he left the company, he wouldn't be able to take the money out without penalty until fifty-nine and a half.

Yes, there's always some extenuating circumstances where you can get a waiver and not have to pay that ten percent penalty but for most people, they're looking at taxes plus penalty. We sat down with this gentleman. We talked about the pros of taking the money out. We talked about the cons of taking it out. Then we talked about the pros of keeping that debt and making the payments and the cons of keeping that debt as well.

One other thing, when we talk about piece of mind, we also talk about how much further out into the future he would have to pay on a monthly basis to handle these debts. Not only are we getting rid of debts but we're also shrinking his monthly number. We talk about that a lot. Not only on videos but on our posts on our website. We talk about it in almost every single situation when we sit down with a client. You've got to know your numbers. You've got to know where your expenses are especially when you retire. There's no additional money coming in. All of this factors into the big question, do I take money out of my retirement plan. In this particular situation the answer was yes. It may be different for you. If you've got a question like that, get in touch with us. Be happy to answer any kind of questions and talk about your situation. We'll see you on the next one.