

Thinking about tapping into your retirement savings?

Here are things to consider



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As we continue to manage through these uncertain times, it's important to know that resources are available to help you through the rough spots. If you're experiencing financial stress or concerns, like many are these days, you may be thinking about taking some cash from your retirement plan. Before you do that, there are things for you to consider.

Thanks to recent legislation, you may now have greater access to the money in your retirement plan if you need it. If you've contracted the coronavirus, have lost your job or suffer a heavy financial burden because of the virus, you can withdraw money from an employer-sponsored retirement plan or IRA before age 59½ without paying the regular 10% early withdrawal penalty and spread the tax burden out over three years instead of one. You might also be able to borrow more from your retirement plan than you could before and take longer to pay it back.

While this may be something you need to do, it's important that you understand what it means. If you withdraw money now, you could be selling your investments during a down market. For many, recent market volatility has lowered retirement plan account values from what they were previously.

By selling investments now to withdraw funds, they won't have the potential to rebound when prices eventually go back up, which they typically do, if history is any indication. You may also need to increase your contributions in the future, to save the amount you'll need to retire. It's also important to recognize that while the new legislation eliminates the 10% penalty for early withdrawal, you'll still pay ordinary income taxes on the withdrawal, albeit stretched out over three years.

Before making any major financial decisions, especially those concerning your investments, it's smart to consult with your financial professional. After all, it's their job to help you through tough financial times like these. If you don't have one, now is a good time to get one. Check with your employer or ask friends or family for a referral.

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Here are some other possibilities that could help with your cash flow

- **You may be eligible for a stimulus payment.** If your income is \$75,000 or less as a single adult, you'll receive a \$1,200 payment from the government, plus another \$500 per child. If you make more, you could still receive a check, but not the same amount. Use this calculator to see how much, if anything, you'll receive.
- **If you run a small business, consider benefits available to you.** Thanks to recent legislation, small businesses may be eligible for loans or other assistance to pay employee wages, mortgage, utilities and more. See the Small Business Administration's website for details.
- **Look to other savings.** Consider using money in a savings or money market account first, before tapping into your retirement money. If you have a Health Savings Account (HSA), you can use that money for things like over-the-counter medication and other healthcare supplies.
- **Talk to your utility companies.** Many utilities will waive late fees, extend deadlines to make payments and make other payment arrangements, to help those having a hard time right now. Many have also stopped disconnects and collections for the time being.
- **Review your subscription services.** Monthly subscriptions for streaming video services, gym memberships, cable channels, publications and periodicals can add up. You may be surprised at how many you are paying for – review all your subscription services and identify ones you can eliminate, even if temporarily.
- **Other assistance may be available.**
 - **Unemployment benefits.** More people will be eligible for unemployment benefits now, including those who are self-employed (gig workers, freelancers and contract workers), workers who have had to cut back on their hours or self-quarantine due to the coronavirus, and those who depend on a daycare or eldercare facility that has closed.
 - **Student loan payment deferrals.** If you took a direct student loan from the federal government, you shouldn't have to pay anything until September of this year – see the Federal Student Aid website for details. Other financial companies offering student loans are also making accommodations. Contact yours to see what they can do to help you.
 - **Personal loans.** Many banks and creditors are offering personal loans at low rates right now.
 - **Short-term disability.** If you have a short-term disability plan through your employer and are unable to work because you have contracted the coronavirus, you may be able to receive benefit payments.
- **Beware of scams.** There are all kinds of scammers out there, trying to take advantage of people and get you to reveal your personal information. Your best bet is to call companies directly. Don't click links in emails or give out any information over the phone to unsolicited callers.

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Finally, when making decisions to solve for near-term needs, it's important to fully understand the long-term effect of any actions you take. If possible, consider options that won't have a compounding effect on your retirement. And, as soon as you can, begin saving on a regular basis to build your emergency fund – even a small amount saved each week can add up over time.

Past performance is no guarantee of future results.

This information is general in nature, may be subject to change and does not constitute a recommendation or solicitation for any financial transaction. For advice concerning your individual circumstances, consult your financial professional.

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