

# M3 FINANCIAL PULSE

## AUGUST 2020

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### THE MONTH IN BRIEF

Stock prices rallied in July as further development of COVID-19 vaccine and better-than-expected corporate financial reports encouraged investors.

The S&P 500 gained 5.5 percent, while the NASDAQ Composite picked up 6.8 percent. The Dow Industrial Average, which has lagged much of the year, rose 2.4 percent.

The Wall Street Journal, July 31, 2020



### FACT OF THE MONTH

According to a survey by FINRA, only 40% of respondents spent less than they earn per month, 38% lived paycheck to paycheck, and 18% consistently spent more than they earned. In fact, only 41% of people follow a monthly spending budget.

FINRA's Financial Capability Survey

S&P 500 Index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Investors cannot invest directly in an index. The Dow Jones Industrial Average is a widely watched index of 30 American stocks thought to represent the pulse of the American economy and markets. Investors cannot invest directly in an index. The NASDAQ is an index that tracks the cumulative results on a market capitalization basis of all stocks trading in the NASDAQ system. \*This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty.

### THE PROS AND CONS OF EARLY WITHDRAWALS FROM RETIREMENT FUNDS\*

Should you withdraw your retirement plan money before you retire?

Not only are there penalties and tax consequences that come with withdrawing money early from your retirement accounts, but withdrawing money now could actually make it harder for you to reach your long-term retirement goals in the future. Some 401(k), 403(b), 457, and IRA plans offer withdrawal flexibility. If your plan provides this choice, you must first pay attention to the rules.

#### To start, some basics...

Distributions from 401 (k) plans and most other employer-sponsored retirement plans are taxed as ordinary income, and if you take one before age 59½, a 10% federal income tax penalty commonly applies.

Note that the 2020 CARES Act allows some one-time exceptions to penalties this year. Account owners can take a distribution of up to \$100,000 from their retirement plan or IRA in 2020, without the 10% early withdrawal penalty that normally applies to money taken out before age 59½. But remember, you still owe the tax.

In addition, 20% of the withdrawn amount is withheld for tax purposes. Generally, once you reach age 72, you must begin taking required minimum distributions.

#### Now, the fine print...

You may be able to take money out of your plan in your fifties or sixties, while still working, via an in-service non-hardship withdrawal. However, unless you roll these funds over directly to an Individual Retirement Account (IRA), you will receive a 10% penalty and a 20% tax withholding in the process.

#### The criteria for making withdrawals can vary...

Some retirement plans simply prohibit withdrawals, others will permit withdrawals when assets in your plan have accumulated for at least two years or when you are 100% vested in your account.

Contact us today to discuss how withdrawing funds from your retirement plan can affect your future.