

PENTEGRA SECURE ACT SMART TIPS™



Penalty-free Withdrawals for The Birth or Adoption of a Child

The Setting Every Community Up for Retirement Enhancement (SECURE) Act represents the most significant retirement plan legislation in more than a decade. The legislation includes provisions designed to make retirement savings more accessible for important life events.

The SECURE Act permits for penalty-free withdrawals of up to \$5,000 from qualified retirement plans or Individual Retirement Accounts (IRAs) for the birth or adoption of a child.

How does the new withdrawal provision work?

A withdrawal may be made in event of the birth or adoption of a child. The withdrawal must be made during the 1 year period beginning on the date a child is born or when a legal adoption is finalized.

Who is considered an eligible adoptee?

Eligible adoptees include any individual other than a child of the taxpayer's spouse, has not attained age 18 or is physically or mentally incapable of self-support.

What is the maximum amount that may be withdrawn?

The maximum amount that may be withdrawn for the birth or adoption of a child is \$5,000.



Is the withdrawal subject to income tax withholding?

Some or all of the withdrawal may be subject to Federal and state income tax withholding. If required by the state, Pentegra will withhold state income tax at the state's prevailing withholding rate.

Does the 10% early withdrawal penalty apply?

The 10% early withdrawal penalty will not apply to these withdrawals. As detailed above, other federal, state and local taxes may apply to these types of withdrawals.



Can these withdrawals be repaid?

Withdrawals for the birth of a child or adoption may be repaid as a rollover contribution to an eligible defined contribution plan or IRA. Withdrawals may be repaid at any time. You can make more than one repayment and your repayment cannot exceed the amount of your withdrawal.

What type of documentation must be included with the withdrawal application?

A birth certificate or final adoption paperwork must be included as proof of the birth or adoption of a child.



How is the withdrawal processed?

Pentegra processes withdrawals from participant accounts on a pro-rata basis from all available contribution sources and investment funds (except Employer Stock funds or Certificates of Deposit funds, if applicable).

When does this take effect?

This provision is effective beginning January 1, 2020.

Sales Tip: This provides access to savings for important life events. Share your expertise and serve as a trusted resource for your clients.



Contact the Pentegra Solutions Center at solutions@pentegra.com
or 855-549-6689 for expert guidance on how to make the most of the new rules.

Follow our conversation

