



PROVISION OF THE SECURE ACT

Penalty-Free Retirement Plan Withdrawals for Birth or Adoption of a Child

Generally, a distribution from a retirement plan must be included in income. Unless an exception applies (for example, distributions in case of financial hardship), a distribution before the age of 59-1/2 is subject to a 10% early withdrawal penalty. Starting in 2020, plan distributions (up to \$5,000) that are used to pay for expenses related to the birth or adoption of a child are penalty-free. That \$5,000 amount applies on an individual basis, so for a married couple, each spouse may receive a penalty-free distribution up to \$5,000 for a qualified birth or adoption.