Column: How to raid your retirement funds in a crisis

In an ideal world, your retirement accounts would be left alone for retirement. You've probably noticed that we're not living in an ideal world.

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SYNDICATED COLUMNIST

Early withdrawals can have serious repercussions, including big tax bills today and potential shortfalls in the future. Please look for other solutions first. You might:

— Halt ongoing retirement contributions to free up cash.

— Trim expenses.

— Tap other savings and non-retirement investment accounts.

— Sell unneeded possessions.

— Ask lenders for concessions on debt payments.

— Seek government or charitable help if you can't pay your bills.

If you must raid your retirement funds, there may be ways to reduce the financial impact. If you're unlikely to pay the money back, your best option may be to take money from a Roth IRA.

If you can pay it back, using the new "coronavirus hardship withdrawal" contained in the Coronavirus Aid, Relief, and Economic Security Act may be your best bet. Here are more details on those options, plus a few more.

TAKE A CORONAVIRUS HARDSHIP WITHDRAWAL

Savers impacted by the pandemic can take up to $100,000 from their 401(k)s and IRAs as part of the recently enacted economic stimulus package. The withdrawal is not penalized and there's no mandatory withholding. You also have longer to pay the resulting taxes, since the income can be spread evenly over tax years 2020, 2021 and 2022. And if you can pay back the amount you took out within three years, you can claim a refund on those taxes.

These distributions are allowed if you, a spouse or dependent has been diagnosed with COVID-19, the disease caused by the coronavirus. They're also allowed if you've experienced adverse financial consequences from coronavirus-related issues, such as having your hours reduced; being quarantined, laid off or furloughed; not having child care that would allow you to work; owning a business that's closed or reduced its hours; or "other factors as determined by the Secretary of the Treasury," according to the CARES Act.

WITHDRAW YOUR ROTH CONTRIBUTIONS

You can always withdraw the amount you contributed to your Roth IRA tax- and penalty-free. It's only when you start taking out investment earnings that you can incur taxes and penalties. If you've converted a traditional retirement account to a Roth, withdrawals of the converted money won't be taxable but can be penalized if the conversion is less than 5 years old.

TAKE A SHORT-TERM LOAN FROM YOUR IRA

Long-term IRA loans aren't allowed, but if you have a temporary cash crunch — you have to pay a bill while waiting for your tax refund, for example — the 60-day rule may help. Money taken from a regular, rollover or Roth IRA isn't taxed or penalized if it's re-deposited within 60 days. You're allowed to do this only once in any 12-month period.

BORROW FROM YOUR 401(K)

You can now borrow up to 100% of your vested balance in a current employer's workplace retirement plan, up to a maximum of $100,000. Generally such loans are repaid over five years, but the stimulus package allows borrowers to delay payments owed in 2020 for up to one year.

The danger of any retirement plan loan is that you won't be able to pay the money back. That triggers income taxes as well as penalties if you're under 59 1/2.

WITHDRAW FROM YOUR IRA

If you don't qualify for a coronavirus-related hardship withdrawal, you can still take money from traditional and rollover IRAs. Distributions are generally taxable, and you can be penalized if you're under 59 1/2.

ASK FOR A HARDSHIP WITHDRAWAL

If you don't qualify for a coronavirus-related hardship withdrawal, you may still be able to get a regular hardship withdrawal from your 401(k) or other workplace retirement plan if you can prove an immediate and heavy financial need that requires the distribution. Examples include medical expenses, tuition, a home purchase, funeral expenses and payments to prevent eviction or foreclosure. Hardship distributions are taxable, with a mandatory 20% withholding, and often are subject to 10% early withdrawal penalties.

Each of these options has too many specific rules and exceptions to cover here. Your employer's human resources department may help you with the details, or you can talk to a tax pro.

Also, talk to a bankruptcy attorney before using retirement money to pay credit cards, medical bills or other debt that could be erased in bankruptcy. Retirement money typically is protected from creditors. It would be a shame to drain your retirement accounts only to wind up in bankruptcy court anyway.

About the Author

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MINT

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back its operation, said Reerslev, in the face of industry challenges.

"We've seen a lot of other farms stop growin' mint altogether," said David Reerslev, 68, John's brother and farm co-owner. He shuffled from foot to foot on well-worn boots.

When the Reerslevs built their distillery in 1966, they did it alongside two other farms — which are no longer growing mint.

Although Oregon now has fewer distilleries, the Northwest mint industry continues strong. Acreage isn't disappearing; it's just shifting locations from Oregon to Idaho and Washington, where the cost of production is often lower.

According to Bryan Ostlund, executive director of the Oregon Mint Commission and administrator of the Mint Industry Research Council, the Willamette Valley alone produces some 10,000 acres of mint.

Statewide, he said, Oregon has about 50 growers and will plant about 18,000 acres of mint this year, resulting in 2 million pounds of mint oil — enough to give every person on earth 13 sticks of mint-flavored chewing gum.

"It's big here, but we've recently lost some acres in Oregon," said Ostlund.

Some Oregon growers have cut back mint acreage by as much as 20% in the past year.

Meanwhile, Ostlund said, acreage is swelling in neighboring states.

Idaho, he said, now nearly rivals Oregon in acres of production, adding more each year. And Washington has already outpaced Oregon, producing about 2.2 million pounds of oil.

Together, Ostlund estimates, the three states constitute 80% of the domestic industry.

One of the reasons mint acreage is simultaneously shrinking in Oregon but expanding elsewhere is Idaho and Washington, relatively new to the industry, have more "virgin soils" available that aren't contaminated by verticillium wilt, mint's arch nemesis.

According to Kelly Vining, horticulturalist and mint researcher at Oregon State University, verticillium wilt, caused by the fungus verticillium dahlia, causes wilting and death in mint.

Once a field is infected, it stays that way. Mint is a perennial plant typically grown in four-year rotations. Many other crops, such as strawberries and potatoes, are not themselves hurt by this strain of wilt but can act as hosts to keep it alive in the soil. Even if farmers rotate crops hoping to choke out the fungus before the next mint crop, their efforts are often in vain.

The Reerslevs primarily grow Mentha xpiperita, or peppermint, a sterile plant propagated through root rather than seed. For each new mint crop, David Reerslev said, the family buys "clean," or fungus-free, root stock from virgin soils in Burns, Ore.

"But we plant the clean roots in our wilty soil, and they get contaminated," said David Reerslev.