

### Take a Penalty-free IRA Withdrawal for Medical Expenses

Are you considering withdrawing funds from your traditional IRA to pay unexpected medical costs?

You may be hesitating because of the 10% penalty imposed on withdrawals made when you're under age 59½. Since the 10% is calculated on the total you withdraw, the tax hit could be substantial. Worse, the penalty typically is not withheld from the cash you receive, so you'll need to come up with the money when you file your tax return.

Fortunately, in some situations you can take penalty-free withdrawals from your IRA for medical expenses.

One example is the medical insurance exception, which applies if you lost your job and have received unemployment compensation for 12 consecutive weeks. IRA withdrawals used to pay medical insurance premiums for yourself, your spouse, or your dependents aren't subject to the 10% penalty, as long as you take the distributions in the year you receive unemployment (or the year after).

This exception may also be available if you were self-employed and are unable to collect unemployment benefits.

Another exception: You can take penalty-free withdrawals when you incur unreimbursed medical expenses that exceed 10% of your gross income. For instance, say your 2014 gross income is \$40,000 and your total unreimbursed deductible medical expenses are \$5,000. To determine the penalty-free withdrawal amount of \$1,000, multiply \$40,000 by 10%, then subtract the result (\$4,000) from \$5,000.

You don't have to itemize your deductions to qualify for this exception.

In addition, the penalty does not apply when early IRA withdrawals are due to a permanent, total disability.

For more information about the requirements for these and other exceptions to the 10% early withdrawal penalty, please contact us. [inquiries@mangoldcpa.com](mailto:inquiries@mangoldcpa.com) or 512-327-0909