LI People ON THE MOVE

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TONI DESROSIERS

Robert A. Alessi of Manhasset has been hired as a partner in the litigation group at **Meltzer Lippe Goldstein & Breitstone** in Mineola. He was a partner at Cahill Gordon & Reindel in Manhattan.

RKLAURY

Jacqueline A. Rappel of Huntington has been hired as a partner at **Forchelli Deegan Terrana** in Uniondale. She provided of counsel services to numerous law firms across Long Island.

RUSKIN MOSCOU FALTISCHEK

David Milner of Great Neck has been hired as a partner in the trusts and estate department at **Ruskin Moscou Faltischek** in Uniondale. He was a partner at Gallet, Dreyer & Berkey in Manhattan.

NICOLE ROCHELLE

Kristen Navas of Ronkonkoma, director of operations at **Campolo, Middleton & McCormick** in Ronkonkoma, has been promoted to managing director.

JIM LENNON

Jothy Narendran of Syosset, a partner in the banking and financial services group at **Jaspan Schlesinger** in Garden City, has been promoted to co-managing partner.

Jennifer D. Waters of Southold has been hired as director of marketing at **Sea Tow Services International** in Southold. She was marketing director at Super Enterprises in Melville, a residential and commercial distributor for Marvin Family Brands.

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New parents now can withdraw retirement assets penalty-free for child care costs, but experts warn against it.

THE ISSUE: TAX-LAW CHANGE FOR NEW PARENTS

Think twice before cashing out retirement assets for child care

MONEY FIX

BY SHERYL NANCE-NASH
Special to Newsday

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) brought several changes to the retirement landscape, like eliminating the age limit that prevented people from contributing to a traditional IRA after they turn 70½. But it's younger taxpayers, specifically new parents, who may be affected by another revision to the rules.

New parents will be able to withdraw up to $5,000 or $10,000 between the two of them for child care costs in the first year after the birth or adoption of a child without the typical 10% penalty they would normally pay for an early withdrawal (before age 59 ½) from a 401(k) or IRA.

However, they still have to pay ordinary income taxes on the withdrawal, which has to be done within a year of the birth or adoption of a child. Parents can later put the money back into their retirement accounts.

With all the costs that come along with a bundle of joy, tapping the money could seem like a solution for cash-strapped parents. But is it? Experts weigh in.

Potential issue

"The upside is someone can begin a family with a bit less stress, but the downside is that you are decreasing an existing tax-deferred asset," says Matthew Schechner, president of Essential Advisory Services in Westbury.

He isn't a fan of this portion of the legislation. "There are already rules in place to borrow against retirement plans for various hardships. To create another opportunity to leak money from a tax-deferred account is counterproductive."

You'll lose the impact of the money multiplier called compound interest. Even without the 10% penalty, you are still forgoing compounding interest on your savings when you withdraw early. "For example, taking $10,000 today will actually cost you more than $40,000 over the next 30 years ($10,000 at a 5% annual return for 30 years is $43,000)," points out Jeff Schneble, CEO of Human Interest, a San Francisco-based 401(k) provider for small and medium-sized businesses.

Raiding your retirement fund should not be done lightly. Eric Kramer, partner in the trusts and estates practice at Farrell Fritz in Uniondale says: "This should only be done if it's absolutely necessary, a last resort if there is no other source of funds. You don't want to take out retirement plan money that would otherwise grow tax-free."

Find money elsewhere

You know a child will be expensive. Prepare for it. "Build a cash reserve to fall back on," says Denise Nostrom, president of Diversified Financial Solutions in Medford.

If you have a Roth IRA, you can withdraw at any time without penalties or taxes up to the amount you contributed. After age 59½, you can also withdraw investment earnings without penalty if your account has been open at least five years.

Matthew Wahler, senior manager of estate and trust at Kaufman Rossin in Miami, says to exhaust other options like asking family for help, getting a low-interest loan and adjusting spending habits.

"While I want my clients to understand the implications of an early withdrawal, and I generally advise against it, I also understand that long-term tax-deferred growth must sometimes take a backseat to actual, immediate family needs," he says.