

# Will taking from a 401(k) mess up an unemployment claim?

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**Q.** My husband was terminated from his employer. He has money in a 401(k) retirement plan through this company. He's thinking of taking money from the 401(k) as he waits for unemployment to kick in. Would this mess up his claim?

— Concerned

**A.** We're sorry to hear about your husband's job loss.

Under the CARES Act, a qualified individual impacted by the coronavirus pandemic is permitted to take a penalty-free distribution from a qualified retirement plan. This can be done for any amount [up to \\$100,000](#).

You are considered a qualified individual if you, your spouse or dependent is diagnosed with COVID, you experience [adverse financial consequences](#) as a result of being quarantined, laid or off, have experienced a reduction in work hours or been unable to work because of lack of childcare, said Marnie Hards, a certified financial planner with Aznar Financial Advisors in Morris Plains.

She said this [COVID-related distribution](#), including from 401(k) plans, can be made from Jan. 1, 2020 through Dec. 31, 2020.

The 10% penalty on early distributions does not apply, she said.

When it comes to taxes, the distribution will need to be included in income ratably over a three-year period starting in 2020. You can report a third of the income in 2020, another third in 2021 and the final third in 2022, she said. Alternatively, you can report the full distribution in the first year.

If you are able to repay the distribution over this [three-year period](#), keep in mind that you will not owe federal income tax on the distribution at all, Hards said.

Now to the [unemployment](#) question.

“Due to the fact that unemployment benefits are not need-based, a distribution from [your 401\(k\)](#) [would not have any impact](#) on your eligibility for unemployment benefits,” she said, assuming your husband otherwise qualifies.

Email your questions to [Ask@NJMoneyHelp.com](mailto:Ask@NJMoneyHelp.com).

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