

BREAKING THE BARRIERS TO ACCESS YOUR RETIREMENT PLAN FUNDS WHILE WORKING

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The [June 15, 2026 Slott Report](#) described the strict barriers employees face when attempting to access their 401(k) and other plan funds while still working. One exception to those barriers is for hardship withdrawals. Plans are not required to offer hardship withdrawals, but the overwhelming majority – estimated at 80-90% – do.

If you're a 401(k) or 403(b) plan participant, you must satisfy three conditions to qualify for a hardship withdrawal:

- *Your withdrawal must be for an "immediate and heavy financial need." Most plans allow you to satisfy this requirement only if your expense fits into one of seven "safe harbor" categories: medical expenses; home purchase costs; post-secondary educational expenses; payments necessary to prevent eviction or mortgage foreclosure; funeral expenses; expenses to repair home damage; and disaster-related expenses and losses. As an alternative to using these safe harbors, your plan can evaluate each request individually using objective standards. But that is relatively rare.*
- *The amount you're requesting can't be more than is necessary to cover the expense (including any federal and state taxes and also, if applicable and the plan permits, the 10% early distribution penalty).*
- *You don't have enough cash or other assets readily available to cover the expense.*

If you're a 457(b) plan participant, a stricter hardship standard applies: Your expense must have resulted from an "unforeseeable emergency." This means an "extraordinary and unforeseeable circumstance" arising as a result of events beyond your control. This would include expenses due to imminent foreclosure or eviction from your primary residence, medical expenses, or funeral expenses of a spouse or dependent. However, the purchase of a home or payment of college tuition would not qualify because they are not "unforeseeable emergencies." 457(b) hardships also must satisfy requirements similar to the second and third 401(k)/403(b) requirements.

Even if your withdrawal doesn't qualify as a hardship withdrawal, you may still be able to tap into your workplace funds while still working. That would be the case if your plan allows withdrawals for one or more reasons that qualify as an exception to the 10% early distribution penalty for those under age 59½. One example would be withdrawals after the

birth or adoption of a child. However, many plans don't allow withdrawals due to birth or adoption or for other penalty exception reasons.

So, you can access your retirement plan funds while working if the plan allows, and you qualify for, hardship withdrawals or withdrawals for reasons that are exceptions to the 10% penalty. But keep in mind that, in either case, any pre-tax funds distributed to you will still be subject to taxes. And, if you're under age 59½, the withdrawal may also be subject to the penalty.

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