

MY HUSBAND IS DISABLED AND NEEDS SSDI. WE CASHED OUT A \$29K IRA TO PAY OFF DEBTS - DESPITE IT COSTING US \$4K - AND NOW WE'RE STRUGGLING TO GET THE SSI. WHAT GIVES?



By: Alisa Wolfson - February 5, 2026

Question: "My husband stopped working because of mental disabilities, and I am trying to get SSDI benefits for him. When I first applied on his behalf, they said he had to be a citizen. He came up for citizenship in 2017 and only had 20 Social Security work credits. Now that he's obtained citizenship, what's standing in our way is \$29,000 we have in an annuity IRA account. I pulled it out to pay for a new roof on our house and paid off a personal loan and credit card debt. I had to pay over \$4,000 in penalties and federal fees though. Did I do the right thing? How do I know if I'm making smart decisions for our finances given our circumstances?"

Answer: Cashing out an IRA triggers income taxes and penalties if you're under 59 ½. "Those withdrawals can increase your taxable income, sometimes hurting eligibility for benefits," says Gabriel Shahin, founder and president of Falcon Wealth Planning. Going forward, Shahin recommends speaking with both a Social Security disability specialist and a fiduciary financial planner before making big financial moves.

Looking back on your decision, a few things come up. First, it's important to differentiate between SSDI and SSI. While both are Social Security Administration programs, SSDI is based on work history and paying taxes, and SSI is a needs-based program for low-income individuals with little or no work history.

"Knowing when to claim Social Security and having the pressure that you only get one chance to get it right is an agonizing feeling. Obtaining an

optimized Social Security report will help identify where you are today and minimize the strategies to what will help you succeed financially in the long run. At your age, you want to see at least 40 credit hours to claim Social Security," says Michael Knox, founder of 5280 Retirement Group.

The goal here is to improve your financial future while also minimizing taxes. "Pulling money from an IRA too early can cause a penalty and tax issue. There can be tax implications when you access retirement dollars from an IRA or 401(k) while on Social Security, but it depends how taxes are filed. Depending on the tax threshold, you could move into a category where you are faced with IRMAA penalties," says Knox.

While pulling money from an IRA to pay off debt might feel like a decent choice, chances are it's not the best use of funds, especially if the debt is low interest, since you're giving up tax advantaged growth in return. Not to mention, withdrawal penalties can make this an expensive solution.

All that said, it's hard to say — with the information we have here — whether what you did was right or wrong. "At the time, this was the best decision you came up with to qualify for disability," says Knox.

In his practice, Knox says he coaches his clients on analysis paralysis. "What I mean by analysis paralysis is that you want to bring in as much information as possible to try and make the best decision about retirement that you end up paralyzing yourself in the decision-making process. There are just too many variables. It's important to understand the different strategies that will help you reduce taxes and maximize your financial plan," says Knox.

Michael has been serving the financial industry for over 25 years. He founded 5280 Retirement Group, previously known as Knox Wealth, with a mission to provide optimal financial solutions to his clients for both their current needs and future goals. He values the importance of long-lasting client relationships and creating sound financial strategies and takes pleasure in helping provide financial security for his clients and future generations.

To contact Michael, call 720-599-7277 or visit www.5280rg.com.



You may want a financial adviser to help guide you

Looking ahead, it would be smart to find a financial adviser who can help guide you and help reduce information overload. "An adviser should be your advocate, going to work for you so that you don't paralyze yourself and help you feel confident in the strategy that was chosen for your specific scenario," says Knox.

What's more, an adviser can help you structure your assets in ways that protect your husband's eligibility while minimizing penalties or taxes. "You did what you thought was right in the moment but now it's time to build a longer-term plan that balances care and financial stability," says Shahin.

If working with someone sounds like it might break the proverbial bank, fear not. "Some professionals and services can advise you for either very low fees or no fees on the benefits that might be available for your disabled husband and yourself. Depending on the state and city where you live, these benefits will vary but most local schools offer financial courses for adults that might be helpful for both of you," says certified financial planner Deborah W. Ellis of Ellis Wealth Planning.

Some CFPs offer hourly services, which may be the most economical choice for you. Hourly advisers typically charge between \$200 and \$500 per hour and can be retained for as few hours as necessary to help you address specific questions or come up with a plan that you can implement on your own. CFPs are fiduciaries, meaning they're required to put your best interests ahead of their own to complete extensive education courses, pass exams, perform thousands of hours of work-related experience and engage in continuing education.