

FIRST RESPONDERS | BENEFIT COLLISION

The Early Retirement Bridge

Accessing retirement funds penalty-free through the SECURE 2.0 Carve-Out for qualified first responders.

BOTTOM LINE UP FRONT

Responders with 25+ years of service can access retirement funds early without the standard 10% penalty. Many wait until 59 1/2 to touch their savings, missing a critical window to lower their future tax bills.

The Problem: The Waiting Trap

First responders often retire from active service in their late 40s or early 50s -- well before the standard retirement age of 59 1/2. Conventional wisdom says they must leave their retirement funds untouched until then, or face a 10% early withdrawal penalty on top of ordinary income taxes.

This creates a dangerous planning gap. During these "bridge years" between service retirement and traditional retirement age, responders are forced to live on pension income alone, while their retirement accounts continue growing -- creating an even larger future tax liability when Required Minimum Distributions begin at age 73.

The Solution: SECURE 2.0 Carve-Out

The SECURE 2.0 Act of 2022 created a specific exception for qualified public safety employees with at least 25 years of service: they can access their employer-sponsored retirement plans at age 50 without the 10% early withdrawal penalty.

Strategic Withdrawals

Rather than simply withdrawing money to spend, we use this penalty-free access window to fund a Roth conversion ladder. By converting Traditional retirement funds to Roth accounts during these lower-income bridge years, we permanently move money from "tax-deferred" to "tax-never" status at a fraction of the future tax cost.

The Bridge Income Strategy

Withdrawals are calibrated to "fill" lower tax brackets without pushing into higher ones. For example, if a responder's pension income places them in the 22% bracket, we convert additional funds up to the top of that bracket -- paying 22% now to avoid 32-37% later when RMDs stack on top of Social Security and pension income.

The Goal

This "bridge income" allows us to move money into tax-free accounts now, avoiding a "tax torpedo" when Social Security starts later. The result is a retirement where the majority of income comes from tax-free sources, preserving more wealth for the family and reducing the complexity of future tax compliance.

Eligibility Requirements

This strategy applies to qualified public safety employees -- including law enforcement officers, firefighters, paramedics, and corrections officers -- who have completed at least 25 years of service and have separated from service. The penalty-free access applies only to employer-sponsored plans (not IRAs), making the sequence of rollovers a critical planning consideration.

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