

# What Is the Rule of 55 and How Does It Work?

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Paul Porretta, a partner in Troutman Pepper's Employee Benefits and Executive Compensation Practice Group, is quoted in the Bankrate article, "[What Is the Rule of 55 and How Does It Work?](#)"

"401(k) and 403(b) plans are not required to provide for rule of 55 withdrawals, so don't be surprised if your plan does not allow this," says Paul Porretta, a compensation & benefits attorney at Troutman Pepper, a law firm based in New York, NY.

"Many companies see the rule as an incentive for employees to resign in order to get a penalty-free distribution, with the unintended consequence of prematurely depleting their retirement savings," he says.

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"Bear in mind that the only real advantage of the rule of 55 is avoiding the 10 percent penalty," says Porretta. "Meanwhile, the tax deferral is sacrificed, which may turn out to be more valuable if other financial resources that are not tax-qualified can cover expenses for the coming years, allowing you to save the 401(k)/403(b) distribution until later years."

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