Let's Talk About...

Where to Go for Cash in a Financial Emergency

Emergencies happen—but a plan can help keep you on track with your savings.

No matter how much you plan, unexpected expenses can pop up out of nowhere—a tree falls on your house, a fender bender damages your car, or you experience a sudden illness or injury. When this happens, where can you find the funds to cover your expenses? Before you break into your long-term savings, here are a few ideas of where to go first.

Emergency fund

If you've been setting aside money in case of an emergency, now is the time to use it. Don't have an emergency fund? Start one today! Generally speaking, an emergency fund covers three to six months of living expenses. Keep it in a low-risk, high-yield account that's easily accessible, like a money market or high-yield savings account.

Insurance

Check your insurance coverage. You may have car insurance, homeowners' insurance, or accident insurance that can help cover the expense.

Health Savings Account (HSA) or Flexible Spending Account (FSA)

If your emergency is health-related and you have an HSA or FSA, consider tapping into those accounts. These tax-advantaged accounts allow you to contribute money pre-tax, and the money comes out tax-free if you use it on eligible medical, dental, or vision expenses (https://www.irs.gov/publications/p502) for you and your family. If you don't have an HSA or FSA, consider enrolling in one to help cover future healthcare expenses. Plus, if you are currently enrolled in Halliburton's Consumer Choice Plan (https://www5.benefitsolver.com/benefits/BenefitSolverView) for medical coverage, you are eligible for an HSA contribution from Halliburton ($600 for individual coverage and $1,200 for family coverage in 2024).

Interest-free credit card

Using a credit card to help cover the expense could be a smart move, but only if you can do so without accruing interest — which generally means paying off the balance by the next payment due date. If you carry the balance forward, you run the risk of racking up more debt with high interest rates, which could make matters worse in the long run. Plus, you run the risk of damaging your credit score, which can impact your ability to get a mortgage or other line of credit in the future. To avoid damaging your credit score, always pay your bill by the due date, keep your balance low, and check your credit report regularly. Learn more about improving your credit score (https://www.fidelity.com/learning-center/personal-finance/improving-credit).

Other investment accounts

If the options above don't cover your expenses, consider taking the money from a **nonretirement** investment account — for example, a taxable brokerage account — but not your Halliburton Plan account or an Individual Retirement Account (IRA). Since those are specifically for retirement savings, there are penalties for early withdrawals. See below for details.

Avoid Dipping into Your Retirement Savings

You may have noticed that we didn't include taking a loan or a hardship withdrawal from your 401(k) in the list above. That's because taking funds out of your 401(k) early can result in substantial penalties, even if you meet the qualifications. These penalties include:

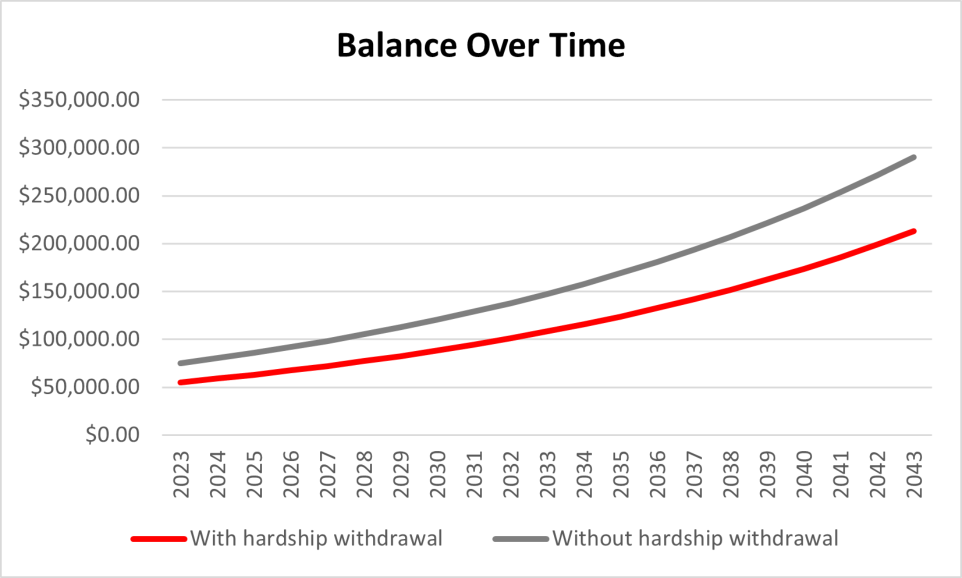
- A 10% penalty for early withdrawal (unless you are age 59½ or older)
- Regular income tax on the amount you withdraw
- A six-month hold on new contributions to your 401(k)—that is, you can't contribute to your 401(k) for six months after the withdrawal, meaning you miss out on both your contributions and Halliburton's match for six months (and any interest those combined amounts would have eventually earned).

Taking money out of your retirement accounts early, even for a legitimate need, can cause your savings to take a serious hit—which is why they're typically considered a last resort.

How a Hardship Withdrawal Could Impact Your Long-Term Savings

Let's assume you have an account balance of $75,000, and you need $20,000 to cover a hardship. If you withdraw $20,000, you would need to pay a 10% early withdrawal penalty of $2,000, as well as $4,000 to cover income taxes (assuming a 20% income tax rate).

On the other hand, what happens if you don't take a hardship withdrawal? As you can see in the graph below, the $75,000 in your Plan account could grow to **$290,226** over 20 years, assuming a 7% rate of return annually compounded—and that doesn't even count any additional contributions you make over the years. Alternatively, if you take the withdrawal, the $55,000 you have left will grow to only **$212,832** under the same assumptions. **That's more than a $77,000 difference!** So in the end, it could end up costing you $77,000 over 20 years to cover a $20,000 expense today.


Balance Over Time
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With hardship withdrawal
Without hardship withdrawal

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