SIRMIUM CAPITAL · THE RETIREMENT BRIEF · NO. 2

The Retirement Move You Can't Undo

The Retirement Brief · First Responders and Veterans

William Harrison, Founder and Chief Investment Officer · July 2026

The Retirement Brief for New York's first responders and veterans.

From William Harrison, Founder and Chief Investment Officer, Sirmium Capital

Most retirement decisions can be adjusted later. A few cannot. The ones that cannot are the ones worth slowing down for, and near the top of that short list is what you do with your deferred compensation or your Thrift Savings Plan balance the moment you separate.

The feature people give away without knowing they had it

If you served in the NYPD or FDNY, the 457 side of your New York City Deferred Compensation Plan carries a feature that is easy to overlook. Once you separate from service, you can draw from those 457 dollars at any age with no 10 percent early-withdrawal penalty. Retire at 45 after 20 years, and that balance is reachable, not locked behind age 59 and a half. The distributions are ordinary income, but the penalty that hits most retirement accounts before 59 and a half simply does not apply to native 457 dollars. Know which bucket your money is in, because the plan's separate 401(k) side does not carry that same at-any-age feature.

If you served in the military or the federal government, your Thrift Savings Plan has its own version. The 10 percent early-withdrawal penalty is waived once you separate in or after the year you turn 55. For federal law enforcement, firefighters, and other qualified public safety roles, that threshold drops earlier still, to age 50, or to 25 years of service. Different rule, same idea. Your own money is meant to be reachable earlier than most people assume.

Here is the door that only opens one way

Roll that 457 or TSP balance into a traditional IRA, and the early access generally goes with it. An IRA's penalty-free age is 59 and a half. The 457 loses its no-penalty status the moment it leaves the plan, and for the TSP the public safety exception does not follow the money into the IRA either. For an officer or a servicemember who retired young and was counting on that balance as bridge income until the pension and Social Security fill in, that is not a small footnote. It can be the difference between reaching your savings and paying a penalty to touch them.

That is why, for someone retiring in their 40s or early 50s who may need the balance sooner, keeping it where it is, at least at first, is often worth a hard look. Whether it is right for you depends on your numbers and your plan, which is a conversation for your advisor, not a rule of thumb. The rollover is a one-way door, and it is usually presented as routine.

> **The one line worth keeping.** Rolling your 457 or TSP into an IRA can quietly cost you penalty-free access to your own money before 59 and a half. Know what you are giving up before you sign.

The rollover is not the enemy. The rushed rollover is.

None of this means a rollover is a mistake. Consolidating accounts, opening up investment choices, or setting up a Roth strategy can all be good reasons to move the money, and for plenty of people it is the right call. The problem is the timing. The paperwork tends to arrive fast, often on someone else's schedule, and just rolling it over is the path of least resistance. A decision that deserves a week of thought gets made in an afternoon.

The quieter one-way door: how you move it

If you do move a balance, how you move it matters as much as where it goes. A direct transfer, institution to institution, keeps the money inside the retirement system the whole way. Taking a check yourself instead starts a strict redeposit clock and can trigger tax withholding, and missing the deadline can turn a routine move into a taxable event with a penalty on top. Same destination, a very different trip. Your plan administrator and your tax professional can walk the mechanics with you before anything is initiated.

What to do before you sign anything

Before you touch the balance, know two things: your own penalty-free date, and exactly what each account gives up if you move it. Put those next to your pension and your other income, and the right order usually becomes clear. Our free calculators lay the pieces out so you can see the bridge-income picture, with no email required to see your result. And a 15-minute call is a plain second look before you make a decision you cannot take back.

None of this is an argument against rolling over. It is an argument for reading the sign before you walk through a door that only opens one way.

William Harrison

Founder and Chief Investment Officer, Sirmium Capital

Sources. IRS Topic No. 558 (a governmental section 457(b) plan is not subject to the 10 percent early-distribution tax after separation); IRC 72(t)(10) (the public safety age-50 exception, which does not follow the money into a rollover IRA), with SECURE 2.0 section 329 adding the 25-year-of-service route; IRS Publication 590-B (IRA early-distribution rules); IRC 402(c) (direct rollovers and the redeposit rule). Rules and figures are subject to change; confirm the specifics with your plan administrator and a qualified tax professional.