

## Early withdrawal from annuity policy

- Section 72(e)
- “Income first”
  - Payments taxable to extent cash value > investment in contract
- Penalty - Section 72(q)
- Loan = withdrawal

## Early withdrawal from life insurance

- Section 72(e) again
- BUT “basis first”
  - Payments not taxable unless withdrawal > investment in contract
- Investment in contract includes all premiums paid
- Loan ≠ withdrawal