

USING AN IRA TO PAY DEBTS

by Rabbi Yisroel Belsky ztl

QUESTION 53:

Let's say a person owes money to a variety of places (Yeshiva, the person who takes care of the lawn, etc), and it is very difficult to pay these loans from one's salary. Also let's say the person has an IRA (Individual Retirement Account) that has been reserved for one's retirement. Taking money from the IRA incurs certain penalties, in addition to losing the considerable benefit of the money accruing tax-free until retirement. To what extent is the person obligated to take money from the IRA to pay off his debts? To take the question further, would a person be obligated to take out a second mortgage on one's home to pay debts? What if a person's investments (in stocks or real estate) are very illiquid, and currently at a depressed value, would he be obligated to liquidate the investments at a loss to pay such debts?

RABBI BELSKY

A person should think very carefully before touching an IRA, because those funds are for the entire family. In some way, the money is like a kesubah (marriage contract). A person shouldn't take money that is reserved for a kesubah to pay expenses, because a husband is responsible to keep it for his wife's security.

On the other hand, a person must understand how much money is really needed in an IRA account. I once talked with a couple, and between the two of them they made \$126,000 a year. They were fighting like cats and dogs that they didn't have enough money to live on. I asked them for a list of how they spent their money. It turned out that they had so many retirement plans, and so many investment plans, that it was three times as much as was necessary. They were damaging their family life because of their excessive concern with retirement funds.

It is a very serious thing to pay a Yeshiva. If the Yeshiva is not paid adequately, it transgresses lo solin (the Torah prohibition against delaying payment) because it then can't pay its teachers on time.

Taking out a second mortgage is sometimes an advisable route for someone who is in considerable debt. But there are two critical considerations. The first is that the person should first shop for the best loan, and do this very carefully. The interest rate should not be high. Secondly, people should never do such things unless they are financially responsible. A person must be able to do an accounting to make sure he is assured of paying the loan back, otherwise there's a risk of losing his house.

In addition, a person must limit his expenses. A person will find there are many things that he can do without - for example, expensive vacations, and so on.

Finally, if stocks or real estate are at a depressed value, a person is not, according to Chazal (Torah sages) obligated to sell, but can instead take tzedakah. A person can wait until the value rebounds.

Yeshiva payments should not be considered a loan. People have no right to take the money they owe a Yeshiva and use it to buy personal items. It is used to pay salaries.

NEXT WEEK'S QUESTION 54: CHECK-OUT LINE IN SUPERMARKET

I was shopping at Pathmark with my wife and was ready to get into a check-out line. I saw that the express lines that accept 12 items or less were fairly short, and the non-express lines were very backed up, possibly because the store was short on help. I counted 16 items in my shopping cart. I was extremely tired, it was 10:30 at night, so I took 4 items and told my wife "We'll wait in line and pay separately". She thought it was wrong, but I said there's no rule that says we have to check out our items together. She said it may not be literally wrong, but how does it look, and if someone else notices they will be upset. Is it wrong? What if we waited on separate lines?

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