

Questions & Answers about 401(k) Plan Withdrawals

Q: When can I take money out of my 401(k) account without penalty?

A: You can take money out of your 401(k) account without incurring a 10% penalty if you're older than age 59½, if you take a loan from your 401(k) account, or under limited circumstances outlined in the Tax Code. However, income taxes are due with any withdrawal (not loan) from a 401(k) account.

Q: What are some of the limitations typically placed on borrowing from a 401(k)?

A: Many 401(k) plans allow participants to borrow from their respective accounts. Generally speaking, 401(k) plan loans cannot exceed the lesser of \$50,000 or 50% of your vested account balance. The minimum amount you can borrow depends on the plan. However, by law, the plan cannot set a loan minimum that exceeds \$1,000.

Q: Is borrowing from a 401(k) a good idea?

A: That depends on your specific situation. Generally speaking, your 401(k) account should only be considered as a source of funds after all other options have been explored. Keep in mind, whether you withdraw or borrow from your 401(k), you may be defeating the original purpose and the benefits of such a plan—that is, saving for your retirement.