

# **Should I Use My 401k to Buy a Home?**

Buying a home can be a financial stretch. With soaring home values and rising interest rates, many potential first time home buyers find saving for a down payment increasingly difficult. For many people, the main source of savings is in the form of a 401k and tapping into this resource for a home purchase is one way to find the down payment necessary to finance a new home; but should you use your 401k to buy a home? Experts are conflicted.

A 401k is a retirement savings plan offered by employers which takes pre-tax earnings and deposits it into an investment account for use in retirement. The money in a 401k account can be accessed by either taking out a loan against the balance or by a straight withdrawal. A withdrawal before the age of 59.5 is also subject to a 10% penalty.

Taking out a loan from a 401k account may be a viable option for potential home buyers. For one thing, a loan from your 401k should not count against your borrowing power. You also don't need to qualify because you are borrowing from yourself. The amount you can borrow is limited, for example 50% of the balance, and typically must be repaid within 5 years. The other option is a simple withdrawal; the 10% penalty is incurred, but the value is not usually limited.

Saving for a down payment can be challenging. Using your 401k to help may be a great option. Speak with your financial advisor and see if this is the right financial move for you.