

Accessing your 401(k) in an emergency

What you need to know

Let's **be well** together.



Your 401(k) is designed to build long-term financial security, but unexpected emergencies can leave you wondering if it can serve as a financial lifeline. While accessing these funds is possible in certain situations, doing so can have long-term consequences.

To safeguard your retirement, **maintaining an emergency savings account to cover 3–6 months of essential expenses is ideal**. This helps preserve your 401(k) and the power of compounding interest over time. However, if tapping into your retirement savings becomes necessary, understanding your options and weighing short-term relief against long-term financial security is important.

401(k) loan considerations

Taking a loan from your 401(k) allows you to borrow against your retirement savings without triggering taxes or penalties—provided you repay the loan on time.

- **Minimum loan amount:** \$1,000
- **Maximum loan amount:** \$50,000
- **Repayment terms:** 12 to 60 months
- **Repayment method:** Automatic payroll deductions, including interest
- **Impact:** May reduce your long-term savings and the compounding interest you would otherwise earn

401(k) hardship withdrawal considerations

Hardship withdrawals are intended for situations of immediate and heavy financial need, as defined by the IRS. These withdrawals are more restrictive and carry greater financial consequences.

- **Eligibility:** Must demonstrate an immediate and heavy financial need
- **Amount:** Limited to the amount necessary to satisfy that need
- **Taxation:** Subject to income tax and possibly early withdrawal penalties
- **Repayment:** Not eligible for repayment
- **Additional requirement:** Must first liquidate your Adobe stock
- **Impact:** May significantly affect your long-term financial security

Other distribution options

Depending on your age and account type, you may have additional options for accessing your 401(k) funds:

- After-tax withdrawal (eligibility may vary)
- Age 59½ and older withdrawal
- Roth 401(k) withdrawal at age 59½ and older
- Roth in-service withdrawal (eligibility may vary)

Making the right choice: 401(k) access and long-term security

Your 401(k) is one of the most powerful tools for building a secure retirement. While it can provide support in times of crisis, accessing these funds early should be a last resort. Building and maintaining an emergency savings account is your first line of defense against financial hardship. If you're facing a difficult situation, take time to explore all your options and consult with a financial advisor to make the best decision for your future.

Learn more

For more information about your options, to determine eligibility, or apply for a loan or hardship withdrawal, log in to your account at vanguard.com/retirementplans or call 800-523-1188.

