Thinking About Borrowing from Your 401k)?
As times get more difficult financially, there might be the temptation to borrow from one's 401(k). Before taking out a loan, here are some pros and cons to consider.

On the positive side:

- You usually do not have to give an explanation of why you need the money or how you will spend it.
- You may qualify for a lower interest rate than you would at a bank or some other lending institution if you have a low credit score.
- The interest you repay is credited to your account.
- Since you are borrowing rather than withdrawing money, there is no income tax or early withdrawal penalty.

On the negative side:

- The money you withdraw will not grow unless you invest it.
- Your repayments are made with after-tax dollars that will be taxed again when you withdraw them later.
- The fees you pay to arrange the loan may be higher than on a conventional loan, depending on how they are calculated.
- The interest is never deductible no matter what you use the money to do.

The greatest risk of borrowing from your 401(k) is leaving your job while you have an outstanding loan balance. If that happens, you might have to repay the entire balance within 90 days of your departure. If you are unable to repay, you're in default and the remaining loan balance is considered a withdrawal.
Source: Smart 401(k) Investing, Financial Industry Regulatory Authority (FINRA)