

Buying a Home with the Help of Your 401(k) and IRA

One of the most difficult steps towards buying real estate is coming up with the down payment. Yet many would have the down payment if they could access their 401(k)s, IRAs, and other qualified retirement plans.

One of the best options involves using an Individual-401(k) loan available to small-business owners or the self-employed. It allows a couple to jointly borrow up to \$100,000 of their retirement money (or 50 percent, whichever is less) tax-free and penalty-free, as long as the money is paid back. You can use the loan for home buying or even home improvements. If you use the money to buy a primary residence, the loan term can be extended from the normal 5 years to 10 years. Another little-known financing option allows you to tap your IRA without penalty to help a family member buy a first home. In this case, the maximum that you can withdraw without penalty is \$10,000 and it must be your first time using the homebuyer exclusion.

With the disappearance of many down payment assistance programs, borrowing money from your retirement savings to achieve home ownership can be a great investment. Contact your ADP Real Estate Services counselor for more information.