401(k) Access Options: Key Features & Differences

401(k) Hardship Withdrawals

Definition:
A hardship withdrawal allows a participant to take money from their 401(k) because of an immediate and heavy financial need. The IRS defines specific qualifying expenses. Withdrawals are limited to employee contributions.

Key features of hardship withdrawals:

Qualifying expenses: Medical, purchase of primary residence, educational, eviction/mortgage foreclosure, burial or funeral expenses, repair of damage to principal residence, expenses and losses due to federal disaster

Taxable: Amount withdrawn is subject to ordinary income taxes.

Penalty may apply: The 10% early withdrawal penalty may apply for those under age 59½ unless an exception is met.

Irreversible: Cannot be repaid back into the plan.

Documentation: Participant self-certifies they lack other resources to meet the expense and they have documentation to confirm the need meets IRS categories.

Empower fee: $0

Emergency Personal Expense Withdrawals (EPEW)

Definition:
An EPEW allows a participant to take a once-per-year withdrawal from their 401(k) of up to $1,000 for an unforeseeable or immediate financial need relating to a necessary personal or family emergency expense. There is not an IRS predefined expense list.

Key features of EPEW:

Cap: $1,000 per year

Taxable: Amount withdrawn is subject to ordinary income taxes.

No penalty: No 10% early withdrawal penalty.

Repayment: Participant may repay the withdrawal within 3 years. If not repaid, cannot take another EPEW for 3 years.

Documentation: Participant self-certifies they have a qualifying expense.

Empower fee: $50

401(k) Loans

Definition:
A 401(k) loan borrows from your own 401(k) balance, with repayment (principal + interest) paid back into your account through payroll deductions.

Key features of 401(k) loans:

Not taxable: Not taxable if repaid on time.

No penalty: No 10% early withdrawal penalty.

Repayment required: Within 12-60 months

No documentation: Documentation of need is not required.

Loan limit: Up to 50% of vested balance, capped at $50,000.

Default risk: If employment ends or payments stop, the outstanding balance may be treated as a taxable distribution.

Empower fee: $75 origination fee; $50 annual fee

Summary of Differences

Feature	**Hardship Withdrawal**	**Emergency Personal Expense Withdrawal**	**401(k) Loan**
Purpose	Major IRS-defined hardships	Small, immediate personal emergencies	General borrowing needs
Max Amount	Depends on need and available balance	$1,000 per year	Up to 50% of vested balance (max $50,000)
Taxable?	Yes	Yes	No (unless defaulted)
10% Penalty?	Often yes	No	No
Repayable?	No	Optional (within 3 years)	Yes — required
Documentation	Must meet IRS categories	Self-certification	Loan application process
Effect on Retirement Savings	Permanently reduces savings	Small, potentially temporary reduction	Temporary reduction if repaid
Fees	$0	$50	$75 one-time/$50 annually

Note: Other withdrawal options are available, including for Domestic Abuse and Qualified Disaster Recovery. See the Summary Plan Description for full details.