



These highlights are intended to answer frequently asked questions regarding loans from the South Carolina Deferred Compensation Program (Program). If you have additional questions, please contact a Great-West Retirement Services® representative at (877) 457-6263.¹

What is an account reduction loan?

An account reduction loan is a loan that reduces your account balance by the amount of the loan.

What kinds of loans may I take?

You can take a general purpose loan or a principal residence loan. A general purpose loan needs no documentation and has a term of one to five years. A principal residence loan must be utilized for the purchase of a primary residence ONLY and documentation will be required prior to issuing the loan. A principal residence loan has a term of six to twenty years.

How much can I borrow?

You may borrow up to 50 percent of your account balance or \$10,000, whichever is greater. The maximum loan amount is \$50,000. In addition, this \$50,000 limit will be reduced by any outstanding loan balance you already have through the Program. Keep in mind that amounts borrowed cannot exceed your account balance.

Is there a minimum amount I can borrow?

Yes. The minimum loan amount is \$2,500.

When do I have to pay the loan back?

You have up to five years to repay your general purpose loan, or up to 20 years if the money is used to purchase your primary residence.

Can I pay my loan back early?

Yes, you can make extra payments or repay the full amount of the loan at any time.

How is the loan taken from my account?

Amounts borrowed will be liquidated from available investment options in the account from which you take the loan in the following order (as applicable): non-fixed fund(s), such as mutual funds; guaranteed fixed fund(s), such as the stable value fund; guaranteed certificate fund(s), such as the 84-month certificate, liquidating the certificate(s) closest to maturity as the last option.

What is the interest rate I must pay back?

The interest rate is the prime lending rate declared in *The Wall Street Journal* on the last business day of

the month in which the loan is processed plus two percent. This amount is fixed for the life of the loan.

Will all of the interest be paid back into my account?

Yes. All interest payments will be paid directly to your account and invested in your current deferral allocation at the time of repayment.

What are the fees for the loan?

There are two fees: 1) a one-time \$50 loan origination fee that is charged for each new loan, and 2) an annual \$25 maintenance fee, which is charged to your account at \$6.25 quarterly for each outstanding loan.

How many outstanding loans may I have at any point in time?

You are allowed a maximum of two loans across both plans at any time.

How are loan payments made?

When allowed by participating employers, loan payments are made through payroll as after-tax deductions. These deductions are in addition to any current contributions you may be making.

May I pay my loan by personal check?

Yes, you will need to pay by personal check if your employer does not allow for payroll deduction. If you separate service and wish to continue making loan payments, a loan coupon booklet will be mailed to you.

What happens if I sever employment?

Upon severance of employment, you must choose one of the following options:

- If you wish to continue making loan payments, contact KeyTalk® at (877) 457-6263¹ and ask to have your loan converted to coupon/check repayment.
- Pay off the entire amount owed on the loan.
- Offset the loan and treat any outstanding balance as a taxable distribution.²

Can I get a loan quote?

Yes. Log in to www.southcarolinadcp.com and click on the Tools tab to use the Program Loan Calculator, or call KeyTalk at (877) 457-6263 for a quote.¹

Continued on next page

¹ Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website or KeyTalk received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

² Withdrawals are subject to ordinary income tax. A 10 percent federal tax penalty may apply to withdrawals made prior to age 59½. The 10 percent early withdrawal penalty does not apply to 457 plan withdrawals.

³ The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.

How do I apply for a loan?

There are three ways to apply for a loan:

- Call KeyTalk at (877) 457-6263.¹
- Visit www.southcarolinadcp.com.¹
- Terminated employees, or employees who have previously defaulted on a loan, must complete a paper application.

You will need your Personal Identification Number³ (PIN) to apply via KeyTalk or the website.

How do the deductions get processed?

If you work for an employer that offers payroll deductions, your payroll department will be notified to begin payroll deductions approximately 45 days after the loan is processed. If you work for an employer that does not offer payroll deduction, loan payments will be processed using the loan coupon booklet.

Please note: It is your responsibility to verify that the loan deductions begin in order to avoid default. Refer to the amortization schedule that you receive with your loan check for timing of payments.

How long will the loan processing take?

Once you apply online, through KeyTalk, or your paper application is received, checks are generally mailed within five business days.

What does it mean to take a loan from my account?

When you take a loan from the Program, you are actually borrowing money from your account. You will pay back the money to your account, with interest, over a specified period of time in substantially equal installments. You will also be charged a loan application fee, and the number of loans you may take is limited to two across both plans.

How can the loan affect my savings?

Remember the main purpose of your Program account—saving and investing for retirement. When you make regular payroll deductions over a long period of time, your contributions and their earnings can really add up thanks to compounding—which is when earnings potentially accumulate on what you have already earned, as well as on your initial investment.

The most dramatic effect borrowing from your retirement account can have is that it reduces the value of your account. Until the full amount is repaid, you cannot realize the effects of tax-deferred compounding at the same level as before you took out the loan. The result: Your total account balance at retirement may be less.

Plus, if you have a loan to repay, you may decide you can't afford to contribute to your account for a while, which can further impede your account's growth potential. And, when you "borrow" from your account, you're essentially selling some of the investments in the account to make the money available. If the market is down when you take out the loan, you may end up taking a loss.

To help you see how a loan may affect your account balance, you can use the Program Loan Calculator on the Program website at www.southcarolinadcp.com under the Tools tab. This calculator will give you a hypothetical view of your future balance if you take a loan.

What are the tax implications of taking a loan from my Program account?

Unlike certain other types of loans, such as a home equity loan or second mortgage, the interest you pay on a retirement account loan is not tax-deductible. In addition:

- If you suspend contributions to your account in order to pay off the loan, you will not be able to realize one of the tax advantages of before-tax contributions: reducing your current taxable income.
- When you pay back your loan, you do so with after-tax dollars. And when you withdraw money from the account at retirement, it will be taxed, as well.

What are some other options?

There are alternatives to borrowing from your Program account. You may qualify for a home equity loan or another type of secured credit loan, which may offer an interest rate comparable to that of a retirement account loan. And unlike the retirement account loan, the home equity loan may be tax-deductible. If you are car shopping, see what kind of loan the dealer offers. Or if you need the money for college, you may qualify for a low-interest college loan.

What's best for me?

Everyone's situation is different. The amount you need to borrow, your time frame for repaying it, how close you are to retirement, and whether you can continue contributing to your Program account while repaying the loan are important concerns. Consider each of these factors before deciding which option is best for you.

For more information about taking a loan, call KeyTalk at (877) 457-6263 or visit www.southcarolinadcp.com.¹

Core securities (except those offered through the self-directed brokerage option), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Great-West Retirement Services® refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Great-West Retirement Services® and KeyTalk® are registered trademarks of Great-West Life & Annuity Insurance Company. Not for use with Plans whose situs is in New York. ©2011 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1121LH (09/2011) PT133334

Photo by Julie J. Prickett

