

401(k) Loan: Is it a Good Idea?

If you are facing a financial emergency and need money, you may be considering a 401(k) loan. While it's nice to know that you may be able to borrow from your 401(k) Plan, you should consider the impact this may have on your retirement savings.

What should you consider before requesting a 401(k) loan?

- Your take home pay will be reduced by the loan repayment amount
- There are harsh penalties for non-payment
 - 10% premature withholding penalty, if you are under 59 ½
 - Outstanding balance becomes taxable, if not repaid
- If you change employers your outstanding loan balance most likely will need to be repaid immediately or at least within 60 days
- Loan repayments are not waived or suspended in the event of a job layoff, termination or declaration of bankruptcy
- The borrowed amount will no longer earn income other than the interest you pay
- You may not be able to take advantage of market appreciation
- You will use after-tax dollars - through payroll deduction - to pay off your loan

What are the benefits of requesting a loan?

- There is no credit check and very little paperwork
- You are borrowing from yourself and paying yourself back with interest
- The interest rate is usually lower than commercial loans

What are the requirements to request a loan?*

- In general, all loans will be limited to the lesser of: one-half of your vested account balance or \$50,000
- You must reduce maximum loan available described above, if you have (or had) an outstanding loan from the plan (or any other plan of the employer or related employer) during the 1-year period ending the day before the loan. The \$50,000 limit is reduced by your highest outstanding loan balance during that 1-year period. The one-half of your vested account balance limit is reduced by your outstanding balance on the date of the new loan.
- Minimum loan amount is typically \$1,000
- Repaid within 5 years or less, dependent upon amount borrowed

How is the loan repaid?

- A payment schedule is set-up
- Each loan payment is deducted from your paycheck and put back into your 401(k) account until the loan is paid off

For additional information or for further assistance, please call PlanLine® at 888.816.4015. Representatives are available Monday-Friday, from 8:30am-7:00pm, Eastern Standard Time, during normal business days.

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*Other requirements and limits must be met, and certain fees apply. Refer to the Summary Plan Description for more details.

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