

RETIREMENT PLAN LOAN CHECKLIST

Taking out a loan from your employer-sponsored retirement plan is generally preferable to an emergency or hardship withdrawal, which is subject to income taxes and results in a loss of tax-advantaged growth potential. And knowing a loan is an option can help you confidently save more for your future.

Just make sure you understand a loan's potential pitfalls and how it works. Use this checklist as a guide.

A Retirement Plan Loan May Be a Good Option

- ☐ Avoid a home eviction or foreclosure
- ☐ Pay major medical bills
- ☐ Pay down high interest rate debt
- ☐ Make a down payment to qualify for a mortgage or a lower mortgage rate

But Remember a Loan Can Have Costs, Too

- ☐ If you reduce your retirement plan contributions, you reduce your future savings.
- ☐ Even if you maintain your contributions, the growth of your account may be less because the outstanding loan balance is no longer invested.
- ☐ If you default on a loan, the outstanding loan balance is treated as a taxable withdrawal and removed from your account.
- ☐ Initial and ongoing fees.

Explore Pros and Cons of Other Available Options

- ☐ Non-retirement account investments
- ☐ Cash value life insurance
- ☐ Home equity loan or line of credit
- ☐ Government benefit programs — www.benefits.gov
- ☐ Reducing other expenses

Understand How Your Retirement Plan Loan Program Works*

- ☐ Eligibility rules — typically, you may not borrow more than 50% of your account balance, up to \$50,000, and the minimum loan amount is \$1,000.
- ☐ Interest rate — generally, loan rates are set monthly, a fixed rate applies for the length of the loan term, and the specific rate depends on whether or not the loan is for a principal residence.
- ☐ Time period — loans must generally be repaid within 5 years, or within up to 30 years for a principal residence.
- ☐ Repayment options — made via automatic bank account transfer (ACH) and/or payroll deduction, depending on plan rules.
- ☐ One-time origination and ongoing annual fees typically apply.
- ☐ Default scenarios

* Loan rules can vary by plan

To learn more about your retirement plan's loan program and to apply for a loan, log into your account at www.icmarc.org/login and select "Loans" from the left-hand menu.

To learn more, contact your ICMA-RC representative.