

The Impact of Taking a 401(k) Loan

It is not free money

- * Payments are typically deducted from your pay each month, leaving you with less take home pay
- * There is a structured repayment plan
- * Interest payments are due on the loan principle

The money can no longer grow.

Missing out on potential:

- * Interest appreciation
- * Dividends
- * Rising markets
- * Compounded growth

Even if you leave your job, you still have to repay the loan

- * Also, if you are younger than 59 ½ then defaulting on the loan would incur a 10% tax-penalty

WHAT HAPPENS TO 401(K) LOANS?

\$7,982

Average **unpaid** loan balance¹

10%

of employees default on **401(k) loans**¹

86%

of participants leave the company **before repaying** their loan¹



TIPS TO HELP AVOID THE NEED FOR A 401(K) LOAN

- * Try **not** to accumulate credit card debt.
- * Build an emergency fund. Aim to save enough to cover **3 to 6 months** of essential expenses.
- * Tap into other savings accounts before accessing money earmarked for your retirement future.

Have Questions? Next 401(k) Employee Education Meeting _____

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¹ National Bureau of Economic Research. "Borrowing from the Future: 401(k) Plan Loans and Loan Defaults." Feb 2014 *more recent data may alter this assessment*

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