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 ⬚** then defaulting on the loan would incur a **10% tax-penalty**

WHAT HAPPENS TO 401(K) LOANS?

$7,982   Average **unpaid** loan balance[1]

10%   of employees default on **401(k) loans**[1]

86%   of participants leave the company **before repaying** their loan[1]

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_