

# Borrowing From Yourself

## WHAT YOU NEED TO KNOW BEFORE TAKING A LOAN FROM YOUR RETIREMENT PLAN

### Plan Loan Basics



#### Maximum Loan Amount

You can generally borrow up to 50% of your vested account balance, up to a maximum of \$50,000. If you had a previous participant loan within the last 12-month period, the maximum amount would be reduced by the highest outstanding loan balance within the last 12-month period and by any outstanding loan balance at the time of the new loan. Employers may also limit the number of loans a participant may have at any one time.



#### Repayment Terms

Generally repayment of the loan must occur within five years. However, if the loan is taken for purchasing a principal residence, it can be paid back over a longer period of time, if allowed by your plan. Loan repayments are made on an after-tax basis and usually deducted directly from payroll.



#### Dependent Upon Employment

If you voluntarily leave your employer or are terminated, your employer may require you to pay the full outstanding balance of the loan at the time of your termination of employment. Should that occur and you are unable to pay the full balance, the loan would be considered defaulted which results in what could be a significant taxable event of your outstanding loan balance. You may be able to avoid those tax consequences by rolling over the loan's outstanding balance to an IRA or eligible retirement plan.



#### Interest Rate

The interest rate is determined by the plan administrator under the plan's loan policy, however, it usually will be competitive with typical consumer loans and is not dependent on credit score or credit checks. The entire amount of repayment (principal and interest) are paid back to your retirement plan account.



#### Taxes, Fees and Penalties

You may take out a loan on your retirement plan account without income tax or the 10% early withdrawal penalty. However, the loan can be turned into a taxable event if you fail to repay the loan according to its terms. Any fees associated with the loan withdrawal and annual loan maintenance will be outlined in your fee disclosure notices.



### Repaying Your Loan Back Early

You may pay your loan back early without penalty by submitting a full or partial payment. You can login online or contact Retirement Services at 888-755-3039, Monday through Friday from 8 a.m. to 8 p.m. ET for your final payoff amount. Please send a Cashier's Check, Certified Check or Money Order made payable to Mid Atlantic Trust Company FBO - Plan BIN number to P. O. Box 536707 Pittsburgh, PA 15253-5909. Please write on the check your Full Name, last four digits of your Social Security Number and the name of your employer. The loan payoff will post to your account as soon as administratively feasible.



### Default of Loan

When a loan is not repaid according to its terms, it is generally considered in default and treated as a taxable distribution from the plan. Each plan can specify a 'cure time limit' or 'grace period' before a participant officially defaults on a loan. During this time you have the opportunity to make whole your missed loan payments. If your loan defaults, you will receive a Form 1099-R reflecting the exact amount of the taxable distribution.



### Impact On Retirement Planning

The one thing you can't borrow for is retirement. When it comes to saving for retirement, the most valuable thing you have is time. Generally, the longer your money is invested, the better prepared you will be for retirement. When you borrow from your retirement plan account, that money is no longer invested in your plan. That means that you would miss out on any potential account appreciation and the benefit of compounding returns.

## Need More Help?

These FAQs may not apply to every situation or feature available under your plan. Please review the terms of your plan documents. There are other resources that may be helpful including the IRS website where you can find the Retirement Plans FAQs regarding Loans. Should you have additional questions please reach out to your plan's advisor or call our Retirement Services for assistance toll free at 1-888-755-3039 or [RetirementServices@worksaveretire.com](mailto:RetirementServices@worksaveretire.com).

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