Sample article for organizations and employers to use to reach customers (word count 201)

Customize and provide the following article in your communication vehicles for your audience.

Retirement Plan Loans

Most types of retirement plans (including 401(k), profit-sharing and 403(b) plans) are permitted to offer loans. However, before you decide to take a loan from your retirement plan, consider what may happen if you:

- can't repay the loan according to its terms, or
- leave your job before repaying the loan in full.

What happens if you don't repay the loan?
Your plan administrator will report the unpaid loan balance as a **distribution** and you must:

- include any previously untaxed amount of the distribution in your gross income, and
- pay an additional 10% tax unless you are over 59½ years old or qualify for another exception.

What happens if you leave your job before you repay the loan?
If you quit, retire or are terminated, your plan administrator may require you to repay the outstanding amount of the loan in full at that time. Otherwise, the outstanding amount is:

- deducted from your retirement account balance, and
- treated as a distribution to you (see above), but you may be able to roll over the amount of the distribution and avoid any taxes.

Remember, your plan is designed to help you save for when you retire, so be careful before borrowing from it now.

NOTE TO EDITOR: Below are links to helpful retirement information on IRS.gov.

- Plan Loans – information on what types of plans allow loans, how much you can borrow, required loan terms and tax consequences of non-repayment.
- Frequently Asked Questions Regarding Loans – answers to common questions on borrowing from a retirement plan.

On Twitter? Send these Tweets:

- Must have information if you want to borrow from your #retirement plan http://go.usa.gov/595T #IRS
- Want to know how to get your employer to help you save for retirement? http://go.usa.gov/595A #IRS