

Sample article for organizations and employers to use to reach customers (379 word count)

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

What you should consider before taking a 401(k) plan loan

Your 401(k) plan may allow you to borrow from the plan. However, you should consider a few things before taking a plan loan.

If you don't repay the full amount of the loan, including interest, according to the loan's terms, the unpaid loan amount is a distribution to you from the plan. Your plan may even require you to repay the remaining amount of the loan in full if you stop working for the employer that is sponsoring the plan. Otherwise, the unpaid amount is considered a plan distribution to you.

Generally, you have to include any previously untaxed amount of the distribution in your gross income for the year in which the distribution occurs. You may also have to pay an additional 10 percent tax on the amount of the taxable distribution, unless you:

- are age 59 1/2 or older, or
- qualify for another [exception](#) to this additional 10 percent tax.

Any unpaid plan loan amount also means you will have less money saved for your retirement.

Your 401(k) plan is designed so you can save money while working for your retirement. So, carefully consider all other alternatives before borrowing from your future.

NOTE TO EDITOR: Below are links to helpful retirement plans information on [IRS.gov](#).

- [Retirement Topics – Plan Loans](#) – information on the types of retirement plans that may allow loans, how long you may have to repay the loan and when you may need your spouse's consent for the loan.
- [Retirement Plans FAQs Regarding Loans](#) – questions and answers on the maximum amount you may borrow from a 401(k) plan, missed loan payments and tax consequences of not repaying the loan.
- [Retirement Topics - Tax on Early Distributions](#) – information on how and when early distributions from IRAs and retirement plans are taxed.
- [Publication 575, Pension and Annuity Income](#) – explains how retirement plan distributions are taxed, including the tax on early distributions and exceptions.

On Twitter? Send these Tweets:

- Read this before taking a loan from your #retirement plan <http://go.usa.gov/383QA> #IRS
- Get information about different types of #retirement plans <http://go.usa.gov/383Uw> #IRS