

## Sample article for organizations and employers to use to reach customers

*Customize and provide the following article in your communication vehicles for people considering early withdrawals from their 401(k) Plan.*

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### Can you afford to borrow from your 401(k) Plan?

A 401(k) plan is a tax-favored savings plan, designed to help you save money while working toward your retirement. However, the current economy has forced some workers to borrow from their 401(k) plan accounts to pay for critical living expenses, jeopardizing their retirement savings. Before you borrow from your 401(k) plan to get through these tough times, you should know a few things...

If you don't timely *repay the full amount* of the 401(k) plan loan—including interest—the law treats the unpaid amount as a distribution. This means you generally have to include any previously untaxed amount distributed from your 401(k) plan in your gross income for the year in which the distribution occurs. This amount may also be subject to an additional 10% tax on early distributions unless you:

- are over 59½ years of age, or
- qualify for another exception to this additional 10% tax.

So, *before borrowing from your future*, take a look at your current situation to see what other alternatives are available!

Also, familiarize yourself with the tax implications on early distributions (see [Your Federal Income Tax, Publication 17, page 81](#)).

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**NOTE TO EDITOR:** Below are helpful resources on retirement topics on IRS.gov.

- [Retirement Topics on Loans](#) – information regarding loans on retirement plans
- [FAQs regarding loans on retirement plans](#) - provides general answers
- [Publication 560, Retirement Plans for Small Businesses](#) – for people who are participants of retirement plans.
- [Publication 17, Your Federal Income Tax](#) – covering general rules for filing a federal income tax return