Fact #1: A retirement savings plan loan offers some advantages.

Among the advantages of borrowing from your account:

- You can generally borrow up to 50% of your vested account balance, up to $50,000, for any reason
- Interest rates, which are set by your plan, are competitive
- Loan repayments are deducted automatically from your paycheck (after taxes)
- You borrow from yourself, because all principal and interest payments go straight back into your account

Under certain market conditions, paying interest on your retirement savings plan loan could provide a better return than your plan investments—at least for a period of time. Keep in mind, however, that it’s you who’s making those interest payments, in after-tax dollars.

Fact #2: The money you borrow isn’t invested for retirement.

When you take money out of your account, even for a limited amount of time, it simply isn’t there to collect potential interest or dividends, or to benefit from a rising market. Compounded growth potential—or the ability to build potential earnings on top of previous earnings—is a key advantage of your retirement savings plan. By leaving your account untouched, you improve your opportunities for this type of potential growth.

Fact #3: If you change jobs, you may need to pay back your loan immediately.

If you leave your current employer and don’t pay back what you owe by the date specified by your plan, the outstanding amount will default and is considered a distribution. You’ll owe ordinary income taxes on the amount you haven’t paid back, and possibly a 10% early withdrawal penalty if you’re younger than age 59½.

Fact #4: You’ll pay back your loan with after-tax dollars.

When you take a loan from your retirement savings plan account, you borrow money that you had put away on a pretax basis. And you pay it back with after-tax dollars, so taxes come into play:

- Once, when you pay taxes on the portion of your paycheck that goes to repay your loan
- And again, when you pay the taxes that come due when you finally withdraw your money
Fact #5: Restrictions and expenses may apply.
Your plan limits the number of loans you can have outstanding at any time, as well as the portion of your account balance available for borrowing. You may also have to pay a fee to initiate or maintain a loan.

Fact #6: There may be better places to borrow the money you need.
If you qualify, a home equity loan or student loan may be a better deal than borrowing from your retirement plan. Both can offer attractive rates, as well as tax-deductible interest payments. Car loans can offer great rates, especially if you’re willing to shop for a lender or if there’s a factory incentive involved.

HERE’S HELP
For more information on your plan’s rules about retirement savings plan loans:
• Visit Fidelity NetBenefits®
• Call your plan’s toll-free number, weekdays from 8:30 a.m. to 8 p.m. Eastern time