Should you take a **retirement plan loan?**

Principal®

Trying to decide if you should take a loan from your organization's retirement plan? We'll help you understand your options.

Before you take a loan from your organization's retirement plan, it's important to understand the costs and the details. With a retirement plan loan, you pay yourself back the amount of the loan plus interest.

Just remember that:

- Your savings may suffer. While you're paying off the loan, if the investment rate of return is higher than your loan interest rate, you may miss out on some of the gains you might have earned.
- You may have to pay initial setup fees and quarterly loan fees.
- If you leave your job and have an outstanding loan, you may need to repay the loan within a certain amount of time or penalties and taxes could apply.

Some of the rules for loans from your organization's retirement plan may include:

- Generally, the maximum loan amount is the lesser of (a) or (b):
  - (a) 50% of the vested account balance, reduced by any outstanding loan balance, or
  - (b) $50,000 reduced by the highest outstanding loan balance during the past 12 months. **This includes all loans (new loans taken in the past 12 months, loans paid off in the last 12 months, and all defaulted loan balances, no matter how old the loan).**
- You may have to borrow a minimum amount.
- You usually have to repay the loan within five years (unless you're borrowing for your primary home if your company's plan allows—then you may have longer to repay.)

Before taking a loan, consider this example:

	RETIREMENT PLAN LOAN	NO LOAN
Initial account balance	$20,000	$20,000
Loan amount	$5,000	
Loan period	5 years	
Loan interest rate	5%	
Loan payment (bi-weekly)	$44	
Regular contribution (bi-weekly)	Average of 2.9% during loan repayment period 6% of pay after loan repayment period (Contribution was reduced during the time of the loan.)	6% of pay
Investment rate of return	6%	6%
Account balance at age 65	**$291,526**	**$323,760**

This example is for illustrative purposes only. It assumes $35,000 in annual income, 3% annual wage growth, 25 years to retirement, employer matching at 50% up to 6%, and doesn't include loan fees. The assumed rate of return is hypothetical.

As you can see, that $5,000 loan resulted in about $32,000 less in retirement savings by age 65. That's a pretty big trade-off.

WE'RE HERE TO HELP.
Visit principal.com/loans to learn more or call 800-547-7754 to speak with a retirement specialist.

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.

Insurance products and plan administrative services provided through Principal Life Insurance Company®, a member of the Principal Financial Group, Des Moines, Iowa 50392.

PT383H-05 | © 2022 Principal Financial Group, Inc. | 2614090-112022 | 11/2022