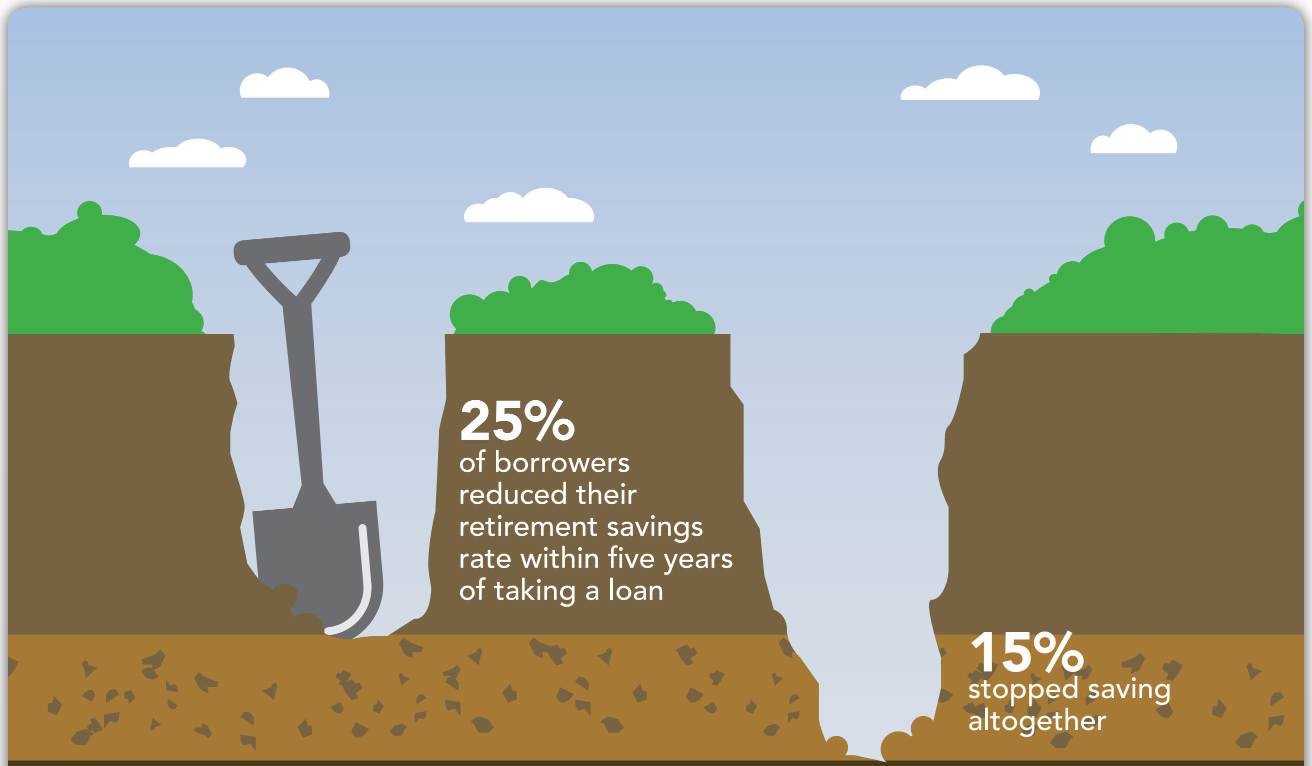
Digging a hole with retirement loans

Many people who take a loan from their retirement savings plan reduce their savings rate or stop saving in their plan altogether. This can have a lasting impact on their monthly retirement income.

Considering a loan? Be sure you can maintain your retirement savings rate while paying it back.



REDUCE OR STOP SAVING AND YOU MAY LOSE OUT ON

$180–$690

a month in retirement.*

*Hypothetical example compares retirement income for three employees: one who maintained his or her retirement savings rate, one who decreased his or her savings rate to 5% for five years, and one who decreased his or her savings rate to zero for 10 years. The example uses the following assumptions about each person: Starts with $50,000 salary at age 25, which grows at a 1.5% real annual rate; contributes 6% of pay and receives 4% employer matching contribution; savings grow at a 3.2% real rate of return. Person 1 maintains his or her savings at the same rates stated previously. Person 2 decreases his or her total savings rate by 5% for a five-year period beginning at age 35, then resumes saving at the original 6% and 4% employee and employer rates. Person 3 decreases his or her savings rate to zero for a 10-year period beginning at age 35. Consequently, based on the previously noted assumptions, persons 2 and 3 experience a decrease in monthly income in retirement of $180 and $690, respectively. Upon retirement at age 67, both individuals draw down their account through age 93; all amounts are pretax and are expressed in 2014 real dollars. Upon distribution, applicable federal, state, and local taxes may be due. No federal, state, or local taxes or any account fees or expenses were considered. If they were, results may be lower. For purposes of this illustration, lost earnings associated with any outstanding loan balance or any balance increases due to loan repayments were not accounted for.

All data based on Fidelity analysis of 21,200 corporate retirement plans (including advisor-sold retirement) and 13 million participants as of 6/30/2014.

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Know the facts about how borrowing from your retirement plan will affect your future

You may be able to borrow from your retirement savings. But is it a good idea? Here are the facts you should consider before you request a loan from your account.

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 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 may improve your opportunities for this type of potential growth.

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.

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 percent early withdrawal penalty if you're younger than 59½ years old.

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. However, 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

Here's help

For more information on rules about retirement savings loans:

- **Visit Fidelity NetBenefits® at netbenefits.com/atwork**
- **Call your plan's toll-free number, 800-343-0860, weekdays from 8:00 a.m. to midnight, Eastern time**

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.