



# Taking Loans From Your Savings Plans

*Consider the risks of loans on your retirement.*



## What you need to know before you take a loan

The State of Michigan 401(k) and 457 Plans' (the Plans) loan provision can be a lifeline when you're facing a financial crisis or are hit with a large, unexpected expense. However, a loan should be used only as a last resort for unique, non-recurring emergency situations.



The Plans are designed to be long-term savings vehicles to help you prepare for retirement. Depending on the size and frequency of loans, borrowing from your retirement savings can seriously undermine your future retirement security.

## Drawbacks of taking a loan

- ⊗ A loan removes money from your investment funds, which may significantly impact your retirement security.
- ⊗ The annual loan management fee of \$35 (\$8.75 per quarter) and loan origination fee of \$75 increase the overall cost of the loan.
- ⊗ Loan payments are made with after-tax dollars.
- ⊗ If you can't make the loan payments, the loan will default and continue to accrue interest charges until paid off in full.
- ⊗ If you default on a loan, the remaining balance becomes a taxable withdrawal and may be subject to early withdrawal penalties.



### Reasons it may be unwise to take a loan:

- You can obtain money or help from other sources.**
- You expect to leave your job within the next few years.**
- You're nearing retirement.**
- You can't make payments within the necessary time frame.**
- You don't have sufficient income to make the biweekly payment.**
- You want the money to purchase a luxury item or to pay for a vacation.**



## Advantages of taking a loan

- ✓ You pay yourself back with interest that may be lower than the rates charged by banks or credit unions.
- ✓ No credit checks.



### Steps to reduce the impact of taking a loan:

**Maintain your contribution rate at least to the level that will provide you the maximum employer match.**

**Consider increasing loan payments to pay off your loan sooner.**

**Consider making a lump-sum payment to pay off the full balance of your loan before the payoff date.**



### If you have questions

Please call the **Voya Plan Information Line** with any questions at **800-748-6128**. Participant Services Representatives are available to help you from 8 a.m. to 8 p.m. Eastern time, Monday through Friday, except on New York Stock Exchange holidays.