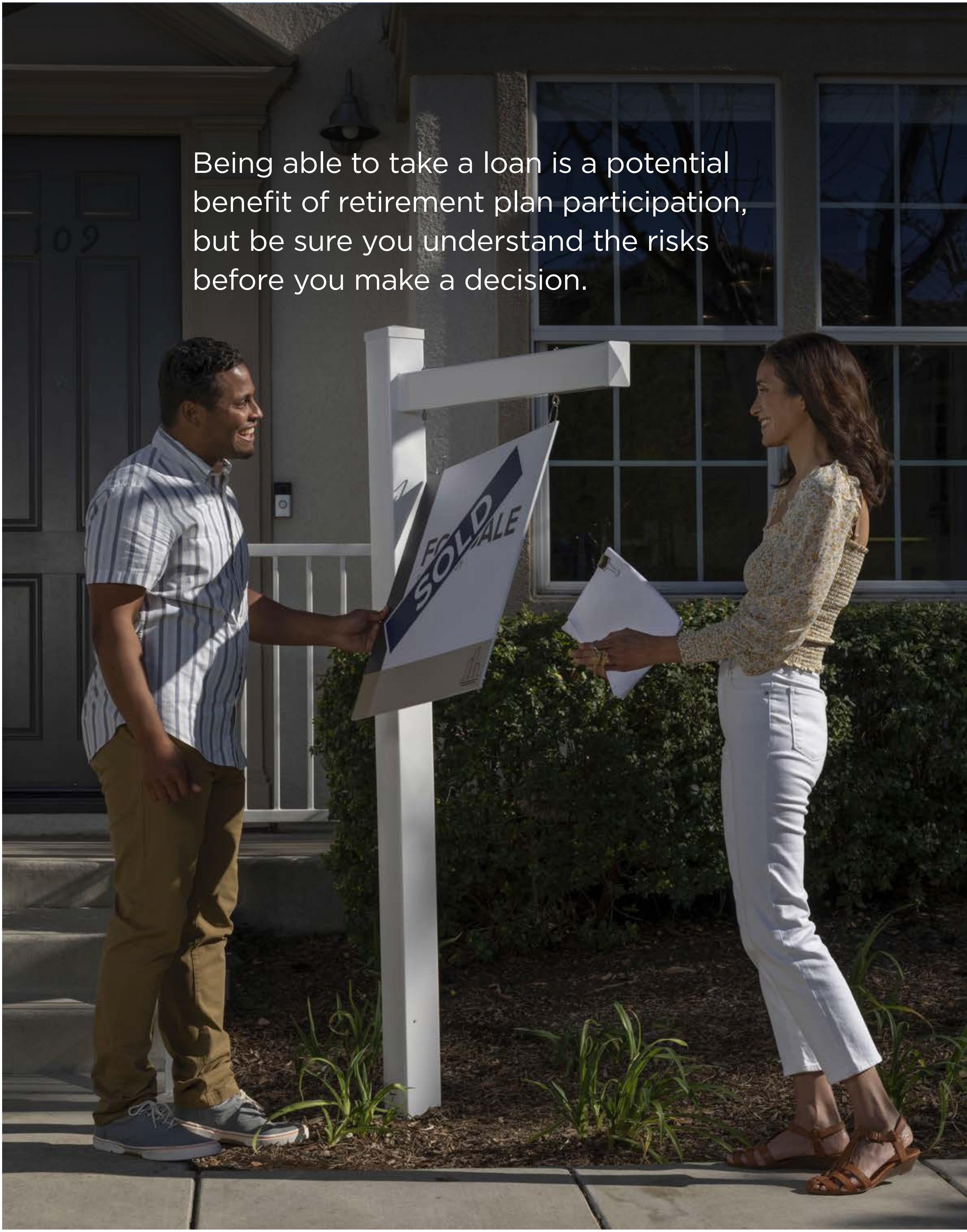
# Because you never know what life has in store.

Your guide to retirement plan loans

FOR PARTICIPANT USE

Being able to take a loan is a potential benefit of retirement plan participation, but be sure you understand the risks before you make a decision.



A retirement plan loan might be a convenient way to get money if you're planning a major purchase such as a new home or if you're faced with an unexpected expense.

Although getting quick cash might help you meet an immediate need, you should consider the potential cost to your investments over time and the money you want to have at retirement. As you can see over the next few pages, the hidden cost of retirement plan loans could be substantial.

## How much can you borrow?

Your minimum loan amount is stated in your summary plan description (SPD). The IRS says the maximum amount you can borrow from your plan is the lesser of:

- 50% of your vested account balance, minus the current outstanding balance from all other loans, if any, or
- $50,000 minus your highest outstanding balance of loans during the past 12 months, if any

| EXAMPLE | |
|---|---|
| Total vested balance: | **$60,000** |
| Maximum allowed: | **$30,000** |
| Minus current loan balance: | **-$5,000** |
| Maximum available loan: | **$25,000** |

To find out how much you may qualify for, contact your employer.

## How soon do I have to pay it back?

- General purpose — 5 years from the date you receive the loan amount
- Purchase a primary residence — 15 years from the date you receive the loan amount

Loan repayments consist of principal and interest, and you'll generally have to make them on a monthly basis through payroll deduction.

## How many loans can I take?

For most plans, you can have only one outstanding loan at any time. You'll have to pay off any previous loan before taking a new one.

Important: If you default on a loan, you can't qualify for a new loan until the balance of the defaulted loan is repaid, including any interest and fees.

## What are the pros and cons?

There are both advantages and disadvantages to taking a loan against your account balance. Weigh these points carefully before making your decision.

### Advantages

- Simple application process, generally easier than trying to get a bank loan
- No credit check
- Loans aren't taxed (unless you default on the loan or have exceeded the loan limits)
- Competitive interest rates are paid back to your plan account instead of to a conventional lender
- Loan repayments are invested in your plan account funding selections
- Reasonable repayment terms

### Disadvantages

- You may be taxed twice: The loan is repaid with after-tax dollars, and will be taxed again when you take distributions
- Loans must be repaid with interest
- Interest on plan loans isn't tax deductible, and may actually end up costing you more than other types of financing
- Loan payments could affect your ability to continue your regular plan contributions at the same level
- If you were to leave your present job, the loan could be treated as taxable income, and could trigger the age 59½ penalty
- A defaulted loan is considered a distribution, and is subject to income taxes and fees, and could trigger the age 59½ penalty
- Potential future earnings on assets used for your loan are lost
- The compounding power of your retirement investments is reduced

Consult with your tax advisor to determine the appropriateness, as well as the legal and tax consequences, of borrowing money from a retirement plan account.

# Glossary

### Assets
The principal, or money you have invested, together with any earnings — your accumulated wealth.

### Distribution
A payout of the amount of money that has accumulated in your retirement plan.

### Early withdrawal penalty
The IRS 10% penalty for premature withdrawals from tax-advantaged retirement accounts.

### Hardship
An extreme financial need for which money can be withdrawn early from a retirement plan.

### Interest
A charge for borrowed money, generally a percentage of the amount borrowed.

### Opportunity cost
The chance that, by taking a retirement plan loan, a participant could lose the opportunity to earn more on the amount than if it had not been invested in a plan loan.

### Retirement plan loan
A partial distribution of money from your retirement plan account balance that must be repaid or subjected to penalties if not paid back within the agreed-upon terms.

### Taxable distribution
A payout from a retirement plan on which income taxes must be paid.

### Tax-deductible interest
Interest paid during the year that can be taken as an itemized deduction on a federal tax return. Interest paid on a home equity loan is generally deductible, while interest on consumer loans or loans from a retirement plan are not.

## Ready when you are

After you've considered your options, if you decide that you want to request a loan from your retirement plan, Nationwide® makes the process easy. To start the application process, call your Nationwide representative.

Nationwide®

This document is intended to be general in nature and for informational purposes only. Your plan may impose other limits on plan loans. This document should not be construed as legal or tax advice. Consult with your tax advisor to determine the appropriateness, as well as the legal and tax consequences, of borrowing money from a retirement plan account.

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