DON'T ABUSE LOANS

Borrowing from your retirement plan savings is a serious matter.

A key risk to avoid is repeat loans. The more loans youtake out over time, the more likely you will not build up enough savings because you will:

- Reduce your contributions.
- Sacrifice growth of your savings because what you borrow is not invested.
- Pay initial and annual fees that really add up.
- Not be able to pay back a loan and face a forced withdrawal from your account and an up-front tax bill.

If you do take out a loan, aim to pay it back as soon as possible and avoid the need for a future loan. If you often struggle with cash flow problems:

- Look at other options, including benefit programs — visit www.benefits.gov
- Build up an emergency fund to cover unexpected expenses
- Limit spending to what you truly need and want
- Be smart about credit and debt — visit www.icmarc.org/creditdebt

Don't sacrifice your financial future. Building a secure retirement will likely require you to save regularly and avoid, or strictly limit, borrowing against it.

See the next page for an example of how loans, particularly repeated loans, can set you back.

To learn more contact your ICMA-RC representative:

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A loan can offer economic and emotional benefits but it can also set you back. And repeated loans can impose significant costs, particularly if you do not address the ongoing need for additional funds.

Sally

Sally carefully considered a loan from her retirement plan but after reviewing her overall finances, she came up with a game plan to cut unnecessary spending and free up needed cash.

To help ensure she didn't find herself back at square one, she also began tracking her spending using an online tool. She was able to avoid new debt, maintain her contributions to her retirement plan, and even begin to build up an emergency fund to meet unexpected large expenses.

Linus

Linus took out his first retirement plan loan to pay off some bills. But new bills kept piling up due to overspending and unexpected emergencies that he didn't have cash available to cover. So he took out another loan and then another.

Looking back, he realizes that his retirement account balance suffered as:

- He stopped contributing
- His loan amounts were not invested
- He had to pay ongoing fees on the loan

He even came close to defaulting on a loan, which would have set him back even further. Money continued to be a source of stress as he faced a constant cycle of owing money. Yet he always put off taking the time to get his finances in order.