



THE COSTS OF A RETIREMENT PLAN LOAN

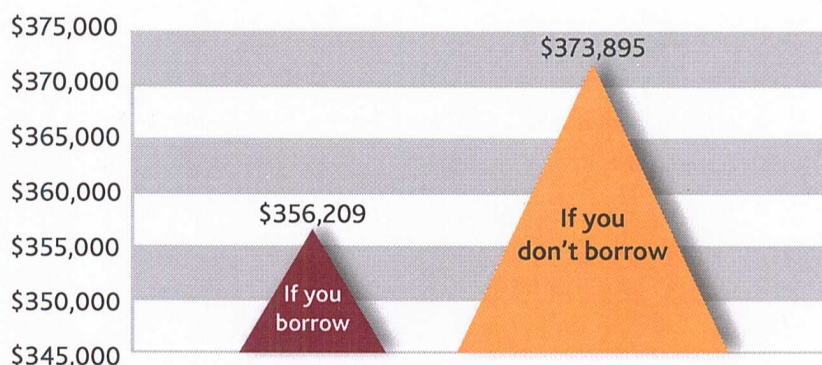
There may be times when you need cash and the idea of taking a loan from your retirement account may sound appealing. After all, you are borrowing from yourself, right? Before you take out a retirement plan loan, consider the following:

- **Loans get taxed twice** – Retirement plan loans are taxed twice. Traditional retirement plan contributions are made on a pre-tax basis; loans from your retirement plan are paid back with after-tax dollars. Then, when you retire and start withdrawing your savings (including the loan you repaid), you're taxed again.
- **Loan repayment** – Like all loans, retirement plan loans must be repaid with interest during a specified loan period. If your employment ends, you may be required to repay your loan in full within 60 days. Or it could be considered a distribution, incurring taxes and a 10% penalty if you're younger than 59 ½.
- **Loans impact your retirement plan account** – The biggest danger of taking out a retirement plan loan is that it can impact how much money you may have when you retire. The money that you borrow from your retirement savings will not be invested and working for you.

One small loan can impact your retirement savings

Consider the following example: Mary has saved \$15,000 and took a five-year retirement plan loan of \$5,000 at a 6% interest rate. To pay herself back, she makes bi-weekly loan payments of \$48.

While Mary repays the loan, her reduction in assets (the money she loaned herself) means she'll have \$17,686 less than she could have when she retires in 35 years.



The bottom line

It may be tempting to borrow money from your retirement account, but doing so will impact the amount of money you will have when you retire. BB&T offers home, personal and auto loans, as well as lines of credit, that could better meet your immediate needs and help you keep your retirement savings intact. Visit your local BB&T branch for more information about our loan services.

*The example shown is hypothetical and for educational purposes only. The example assumes \$30,000 annual salary, 4% pre-loan retirement contributions, 9% return on your investments and a 6% interest rate. For this example, the participant will not make any contributions while repaying the loan. Performance is not guaranteed. Mutual funds are subject to risks, such as the possible loss of principle, and unlike the hypothetical 9% return, rates of return will vary from year to year.

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