THE COST OF A LOAN

Many people think retirement plan loans are an easy way to access money they have saved. But doing so can put your future savings in jeopardy. Before taking a loan, be aware of the costs.

The Cost of Lost Savings

When you take money out of your retirement plan account, you may miss out on potential investment earnings. In addition to losing potential savings, if you decide to no longer make contributions to your retirement plan account while making loan repayments, you further reduce your retirement savings.

The Cost of Delaying Retirement

Borrowing from your retirement plan may keep you from retiring when you want. The lost savings and potential for growth may affect the amount of money you have when you retire.

The Cost of Defaulting

If you are unable to repay the loan either during the repayment period or when you leave your job, the IRS considers the entire amount of the unpaid loan balance a distribution – this may be subject to taxes and penalties.

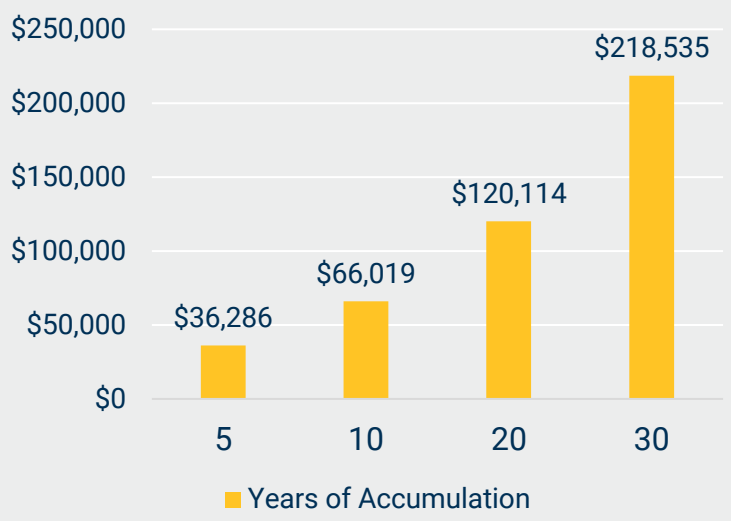
The Cost of Taxes

Contributions to your retirement plan account are taken directly from your paycheck on a pre-tax basis, and the money in your account will be taxed when you withdraw it, presumably at retirement. Loan repayments are also taken from your paycheck, but they are made with after-tax dollars. So you pay current income taxes on the money used for loan repayment, and you will pay taxes on this money again when you withdraw it from the plan.

LOST SAVINGS

Based on a starting balance of $50,000 and $500 pre-tax contributions each month, this chart shows the savings you'd be missing out on if you repaid a $25,000 loan over five years while also temporarily halting your contributions. It assumes a hypothetical 6% annual return and loan repayment rate of 4.25%.

Figures are based on calculations from the Credit Union National Association's 'The Cost of Borrowing from your 401(k)' calculator.



RETIREMENT PLAN LOAN GUIDE

THOMPSON THRIFT RETIREMENT PLAN

Can I take a loan from my account balance?

Yes, you may request a loan of up to 50% of your vested account balance, capped at $50,000. Additional limitations apply if you had an outstanding loan at any point during the preceding year. You choose the term of the loan (up to 3 years), and payments are deducted via after-tax payroll deduction. Your payments are applied to your plan account balance and include both principal and interest. The interest is the prime rate.

How do I request a loan?

To request a loan, go online to www.empowermyretirement.com and log into your account. Choose 'Account,' then select 'Loans.' For more help, call Empower Participant Services at 800.338.4015.

How many loans can I request?

You can have one active loan at any time. If you are eligible to receive additional funds, you may refinance the new loan request with your existing loan. However, the refinanced loan will have the same maturity date of the original loan. You may only refinance a loan once every 12 months.

If I terminate employment, what happens to my loan balance?

You are still responsible for the balance. You are required to pay the loan in full by the last day of the calendar quarter following your first missed loan payment, or it will be considered a distribution and may be subject to taxes and penalties.

To request your loan payoff amount, call Empower Participant Services at 800.338.4015.

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