

LOANS ARE HERE, BUT ARE THEY A GOOD IDEA FOR YOU?

The Deferred Compensation Committee has added the loan feature to your 457 Deferred Comp Plan. This option became available to participants effective January 1, 2011.

Although it is a feature available, the question remains: Is it a good idea for me to borrow from my retirement account? The answer is: It depends. Here are a few things to think about when considering if a loan may be right for you.

1. Loan repayments are made with after-tax dollars. You are also taxed on the money you receive when you retire so essentially, you are double taxed on any loan repayment amounts.
2. You are not taxed on the loan itself.
3. Account reduction loans decrease your balance and therefore decrease your growth potential.
4. You are paying yourself the interest – not another entity.
5. If you leave County employment, the full amount of your loan becomes due and payable immediately or the loan becomes a taxable event.
6. Consider carefully the need for the loan versus reaching your long-term retirement objectives.
7. Can you afford a loan? What impact will the loan repayment amounts have on your take-home pay?

At the end of the day, should you decide a loan is right for you, here are the details of how they work in your plan.

There are two types of loans: general purpose and real estate. To take a loan, you must have a balance of at least \$5,000 in your account – the minimum loan amount is \$2,500 and the maximum loan is 50% of your account balance or \$50,000, whichever is less. The interest rate is fixed at whatever the current prime rate is when you initiate your loan.

Loan repayments will be made through bi-weekly payroll deductions for the term of your loan – separate from your ongoing contributions. For a “general purpose” loan, you have from one (1) to five (5) years to repay the loan. If you are taking the loan to purchase your primary residence, you can extend the term up to ten (10) years. There is an initial origination fee of \$65 and an ongoing annual fee of \$35.

Should you leave service before your loan is repaid, you will need to make arrangements with Great West to continue to repay your loan by using coupon books, or you must repay the total balance on the loan upon separation. If you do not pay off or continue to make payments on the loan, it becomes a taxable event.

To apply for a loan, you will need to access your account online @

www.gwrs.com. For further information or to set up your online account and get a PIN number, please call Great West's Customer Service at (800) 701-8255.