

Things to know about Loans vs. Hardships

Loans are available to you as long as you:

- a) Have more than \$2,000.00 in your Northwest Sheet Metal Workers Supplemental 401k Plan account
- b) You do not have an existing loan from the Plan
- c) You have not previously defaulted on a loan from the Plan

401(k) Loan - Pros

- Proceeds **are not** subject to taxes or the 10% penalty **except** in the event of default.
- No credit check is required to qualify.
- There are no restrictions on the use of 401k loan proceeds.
- You can continue to contribute to the Plan while you repay the loan.

401(k) Loan – Cons

- There are loan fees (\$165 setup fee plus \$15 quarterly maintenance fee).
- In taking a loan, you are taking away its potential for compounded earnings; this may have a significant impact on your long term savings.
- If you take a termination or retirement distribution, the outstanding 401k loan balance will be added to your distribution and taxed as income.

Hardship withdrawals may be available to you if:

- a) You have exhausted all other potential resources, including a loan from the Plan
- b) The hardship request meets the required guidelines (you will be required to submit certain documentation as proof)
- c) A Plan loan is not sufficient to cover your demonstrated financial needs

401k hardship withdrawals - Pros

- May help to relieve immediate financial need
- A hardship withdrawal does not require or allow repayment

401k hardship withdrawals - Cons

- The amount withdrawn will be reported to you as 1099R income subject to taxes
- You may pay a 10% penalty (if you are under age 59 ½) and a \$75 processing fee
- Loss of potential compounded earnings on the amount of the hardship distribution