Retirement plan loans: What to know before taking one

Other options

Set up an emergency fund: With a little planning, you can save to help cover expenses while still pursuing your retirement goals.

A part-time job: This may help pay off current expenses and help you build up an emergency fund.

Cut unessential costs: Make coffee or your lunch instead of buying one every day. These small changes may add up enough to cover your needs.

Understand how they could affect your future

Retirement plan loans may be a quick and easy way to access money today, but before taking a loan, be sure you know how it can impact your retirement savings.

Reduced contributions: Can you afford to pay off the loan and continue making contributions? Maybe not. Taking a loan may not only limit any potential investment growth, but if your employer offers a match, you may miss out on that, too.

More costs to consider: Loan fees—even minor ones—could reduce your initial loan amount.

Potentially twice the taxes: Unlike your contributions, the money to pay off your loan, which comes from your salary, is taxed as income. Depending on the type of contributions you make, when you retire and make withdrawals, you may owe taxes on those dollars again.

A potentially reduced paycheck: Some plans require you to pay off your loan with automatic payroll deductions. This means you'll have less take-home pay.

Possible penalties: If you default on repaying the loan, you'll owe income tax on the balance. If you're under 59½, you'll also owe a 10% early-withdrawal penalty.

Sudden repayment: If you leave your job, you may have to pay off the loan right away, possibly incurring taxes and penalties.

We're here to help

Before you take a retirement plan loan, review your options with a TIAA financial consultant. You can set up an appointment by calling **800-732-8353**, weekdays, 8 a.m. to 8 p.m. (ET), or going online at **TIAA.org/schedulenow**.

To learn more about your plan, you can log in to your account at **TIAA.org**.

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