CONTRA COSTA COUNTY
DEFERRED COMPENSATION PLAN
Loan Provision

IS A LOAN FROM THE PLAN THE BEST FINANCIAL DECISION?

PROS	/	CONS
You have a financial need that does not meet the IRS unforeseeable emergency withdrawal standards.		You pay more in taxes as you repay the loan with after tax dollars and the interest on the loan is taxable when you withdraw from the Plan.
There is no credit check.		The loan is due and payable in full when you retire, resign, layoff or terminate from Contra Costa County employment.
There is a reasonable interest rate of Prime +1%.		You may be earning less by paying yourself Prime +1% than what you would have received if the funds remained invested.
You pay yourself the interest.		Will you be able to continue to save the same amount of money toward your retirement once you have to make the loan payment? If not, this will reduce the amount you hope to have at retirement. You may also miss out on the County Contribution if you save less than the required amount.
The interest is tax-sheltered until you withdraw from the Plan.		No portion of your loan payments are tax deductible. Loan repayments are not a pre-tax payroll deduction.
Loan repayment is convenient through payroll deduction.		The consequences of defaulting on the loan are reported to the IRS; there maybe tax consequences.

Your Deferred Compensation Plan is a retirement plan designed for long-term investing for financial growth and retirement income. If you face a real emergency and have exhausted all other options, a loan from your retirement plan may be your best alternative. In that case, try to pay off the loan as quickly as possible. And, keep up with your regular savings contributions to minimize the negative impact on your retirement account balance. Consult with your financial professional for help with this important decision.