

**The High Cost of Taking a Loan or Hardship Withdrawal from a 401(k) Account
- An Illustration -**

Assumptions	Value
Age	35
Retirement Age	65
Current Vested 401(k) Account Balance	50,000
Pre-Tax Contributions Per Year (Made Monthly)	5,000
Interest Rate	8%
Investment Growth Rate	6%
Loan Duration Years	5
Hardship Withdrawal - Contribution Suspension Period (Years)	1
<i>Note: This analysis is for illustrative purposes only. Other factors which have not been accounted for may impact outcome. Contribution increases, potential employer matching contributions, disruptions in saving, changes in employment status, and inflation are not factored - nor is any tax liability associated with defaulting on a loan or taking a hardship withdrawal.</i>	

Scenario One: Save and Stay the Course (No Loans or Hardship Withdrawals)

Years to Retirement	30
Current Vested 401(k) Account Balance	50,000
Pre-Tax Contributions Per Year	5,000
401(k) Account Balance at Retirement	<u><u>\$ 693,222</u></u>

Scenario Two: Stray From the Course - Take a Loan, Successfully Pay it Back, and Resume Contributions after Loan is Repaid

Years to Retirement Prior to Taking Loan	30
Current Vested 401(k) Account Balance	50,000
<i>Take a Loan at 50% of Vested Account Balance (Max. \$50,000 Loan) and Suspend New Contributions Until Loan is Repaid</i>	
Loan amount	25,000
Loan Duration Years	5
After-Tax Annual Loan Repayment Amount	6,261
401(k) Account Balance Upon Repayment of Loan	68,752
<i>Resume Pre-Tax Contributions Five Years Later</i>	
Years to Retire at 65 Upon Repayment of Loan	25
Pre-Tax Contributions Per Year	5,000
401(k) Account Balance at Retirement	<u><u>\$ 575,553</u></u>

Scenario Three: Major Detour - Take a Hardship Withdrawal and Resume Contributions One Year Later

Years to Retirement Prior to Taking Hardship Withdrawal	30
Current Vested 401(k) Account Balance	50,000
Hardship Amount at 100% Vested Balance	50,000
Account Balance After Hardship Withdrawal	-
<i>Start Over and Resume Pre-Tax Contributions One Year Later</i>	
Years to Retirement One Year after Hardship Withdrawal	29
Pre-Tax Contributions Per Year	5,000
401(k) Account Balance at Retirement	<u><u>\$ 378,218</u></u>

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