

New loan and withdrawal options for your 403(b) plan

Although the Archdiocese of Philadelphia 403(b) Retirement Plan is designed for long-term savings, two additional options will be available if you must borrow or withdraw savings from your account before you retire.

On July 1, 2016, plan loans and hardship withdrawals will become available through your plan. However, it is important to consider the costs of a loan or withdrawal from your retirement plan and whether it makes sense for your financial future.

Plan loans

Tapping your retirement plan account for a loan may seem like a convenient and easy way to get cash, but borrowing money from your retirement savings can have serious consequences. Keep in mind that your paycheck would be reduced to repay the loan with interest. Also, you could owe taxes and a 10% federal penalty if you fail to repay on time, you leave the Archdiocese of Philadelphia prior to repaying the loan, or you fail to set up loan repayments via electronic bank transfer when you separate from service.

That being said, the option to borrow from your account will soon become one of the benefits of participating in the plan. If you choose to take a plan loan, you should be aware of the following loan provisions:

- Minimum amount: \$1,000.
- Maximum amount: 50% of your vested account balance up to \$50,000 (or less if you have had an outstanding loan in the past 12 months).
- Maximum outstanding loans: two (one general-purpose loan and one loan to purchase a principal residence).*
- Interest rate: prime rate plus 1%.
- Repayment: up to five years for a general purpose loan; up to ten years for a loan taken to purchase a principal residence.
- Origination fee (per loan): \$50 when applying online or through VOICE; \$100 when applying by phone with personal assistance from a Vanguard associate.
- Maintenance fee (per year): \$25.

*You may have more than two outstanding loans if you requested a loan previously with one of the Archdiocese legacy 403(b) plans.

Hardship withdrawals

Generally, you can withdraw the money in your plan account once you reach age 59½, upon retirement, or upon termination of employment.* Your plan will allow additional circumstances under which you can withdraw your money. You will be able to withdraw pre-tax and Roth money from your account for a serious financial hardship, including:

- Purchase of a principal residence.
- Unreimbursed medical expenses.
- Tuition and fees for postsecondary education.
- Prevention of eviction or mortgage foreclosure.
- Burial or funeral expenses for a parent, spouse, child, or dependent.
- Certain expenses for repairing your principal residence if the expenses qualify as a casualty deduction.

Before making a hardship withdrawal, you must exhaust other options, including loans. If you do take a hardship withdrawal, you will not be able to contribute to your account for six months after the withdrawal.

***Tax implications:** You will be responsible for paying any federal, state, local, or foreign taxes on a distribution or withdrawal from pre-tax accounts. A distribution or withdrawal of Roth 401(k) earnings is usually also taxable unless the initial Roth contribution was

made more than five years ago and you are at least age 59½. Early withdrawals may be subject to a 10% federal penalty tax. To the extent required by law, Vanguard will make the appropriate withholding for tax purposes.

Understand the risks

Remember, plan loans and withdrawals reduce the money you could accumulate for retirement. Whenever you take money out of your retirement plan—even if you repay it over time—you reduce the amount available to compound and grow. You may even have to work longer to reach your retirement savings goal because of the ground you lost when you took money out of your account.

Questions?

Contact a Vanguard Participant Services associate at **800-523-1188** to discuss any questions you have. Associates are available Monday through Friday from 8:30 a.m. to 9 p.m., Eastern time.

All investing is subject to risk, including possible loss of the money you invest.

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