NASSAU COUNTY

DEFERRED COMPENSATION PLAN
Your future...create it here.

Are you thinking of taking a loan from your Deferred Compensation Plan?

Before you do, you may want to review the pros and cons. Keep in mind that when you borrow money from your Deferred Compensation Plan account, you are actually borrowing money from yourself—and from your financial future. Before you take a loan, consider these advantages and disadvantages of retirement account loans. Then, think about your decision carefully:

The Disadvantages

- When you take a loan, you are required to repay it. Loans initiated prior to 5/19/21 will be repaid through automatic after-tax payroll deductions, which will reduce the amount of money you take home in each paycheck. Loans initiated after 5/19/21 will repaid through a monthly ACH debit. You will need to provide your bank routing number and account number at the time you request the loan.
- When you take a loan, the money that you've borrowed "earns" only the interest rate you pay, which may be lower than what it could have earned if you had left the money invested in your account.
- If you don't pay the loan back, the amount of your outstanding loan balance is considered a taxable distribution and will become subject to income tax.
- If you default on a loan, you will not be able to take a future loan until the defaulted loan balance is paid in full, including interest. This applies even though the loan was already considered a taxable event.
- If you pass away with a loan outstanding, the entire outstanding balance will be considered a taxable distribution.

The Advantages

- There is no charge for initiating and maintaining your loan.
- No credit check is required, since the money in your account is used for your loan.
- If you separate from service, you can continue making payments to avoid defaulting on any outstanding loan balance. If your loan was initiated prior to 5/19/21, you will need to contact Empower immediately upon separation from service to initiate a payment plan or pay the loan in full if you have a loan balance. If your loan was initiated after 5/19/21, your monthly ACH debits will continue until the loan is satisfied. In either case, you can repay the loan in full at any time.
- Participants may contact Empower to obtain their loan payoff amount at any time. You may also make partial principal repayments.
- The interest you pay is credited into your account.

Loan provisions

Number of loans	One at a time
Minimum	$1,000
Maximum	50% of your account balance up to a maximum of $50,000, reduced by the highest outstanding loan balance over the last 12 months.
Interest rate	Prime +1%
Maximum loan term	5 years, 15 years if for a primary residence

Keep in mind...

- When you cash your loan check, you are agreeing to and accepting all of the terms of the loan. When you take a loan from your Deferred Compensation Plan account, you are essentially spending your own money—money that you've worked hard to set aside for a financially secure retirement. Make sure you do not have other sources of funds that could help you to meet your immediate need for cash.
- Once you have initiated a loan, it is your responsibility to confirm that all repayments are being deducted properly. If no payment is received within 90 days of initiation, you may face a possible loan default.
- Contact your Retirement Counselor if you separate from service or go on any type of leave (paid or unpaid) while you have a loan outstanding from the plan. It's important to review your next steps to avoid a possible loan default.
- Any outstanding loan balance not paid back under plan rules after termination of employment becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over the outstanding loan amount to an IRA or qualified employer plan.
- If you are considered a "part-time" or "seasonal" employee, it is up to you to ensure that you have the amounts available to make your full loan repayments on a timely basis, whether from your paycheck or your bank account, depending on when the loan was initiated.
- It is up to you to monitor the $50,000 loan maximum amount, taking into account any loans you may have outstanding from other retirement plans offered by Nassau County.

For personalized assistance, call your dedicated Retirement Counselor.

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Please remember: When you take a loan from your Deferred Compensation Plan account, you're borrowing from your future. So be sure to borrow wisely—and make every effort to repay your loan on time or earlier. Your long-term financial security may depend on it.

Loan proceeds are disbursed from your account and your account balance will be reduced at the time of loan initiation. Loans are not treated as a taxable distribution or subject to federal taxes or penalties unless IRS rules are violated or the loan is in default.

Distributions from after-tax Roth contributions may have different tax implications. Speak with your accountant or tax adviser.

Disclosures

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