



STATE OF NEW HAMPSHIRE

457(b) Public Employees Deferred Compensation Plan

LOAN HIGHLIGHTS

These highlights are intended to answer frequently asked questions regarding State of New Hampshire 457(b) Public Employees Deferred Compensation Plan loans. If you have further questions, please contact your Empower Retirement Education Counselor.¹

May I take a loan from my State of New Hampshire 457(b) Deferred Compensation Plan?

Yes, you may borrow from your State of New Hampshire 457(b) Public Employees Deferred Compensation Plan account. This is an account reduction loan, which means you are borrowing assets held in your account. *Please note: You must be currently employed and have a minimum account balance of \$2,000 in order to request a loan from your State of New Hampshire 457(b) Public Employees Deferred Compensation account.*

How much can I borrow?

The minimum loan amount is \$1,000. You may borrow up to 50% of your total account balance or \$50,000, whichever is less.

When do I have to pay back the loan?

You have up to five years to repay your general purpose loan.

How is the loan amount deducted from my account?

Amounts borrowed will be prorated against all available investment options in your Plan in the following order: non-fixed fund(s) and then guaranteed-fixed fund(s).

What is the interest rate I must pay back?

The interest rate is the Prime Lending Rate declared in *The Wall Street Journal* on the first business day of the month in which the loan is processed, plus 1%. This amount is fixed for the life of the loan.

Will all of the interest be paid back into my account?

Yes. All interest payments will be paid directly to your account and invested in your current contribution allocation at the time of repayment.

What are the fees for the loan?

There are two fees:

1. A one-time \$50 loan origination fee that is charged for each new loan, deducted from the loan check.
2. A quarterly \$6.25 maintenance fee that is charged for each outstanding loan, deducted from your account balance (\$25 per year).

How many outstanding loans may I have at any point in time?

You may have only one outstanding loan at any point in time. There is also a 30-day waiting period after your loan is paid off to request another loan.

How are loan payments made?

Loan payments are made through payroll as after-tax deductions. These deductions are in addition to any current contributions you may be making.

May I pay by personal check?

No. Scheduled payments must be made by payroll deduction or, in special circumstances such as early loan payoff, by cashier's check or money order.

What happens if I sever employment?

Upon severance of employment, you can:

1. Pay off the entire amount owed on the loan.
2. Treat any outstanding balance as a taxable distribution.

How do I apply for a loan?

There are two ways to apply for a loan:

1. Call KeyTalk® at (877) 457-3535.²
2. Visit www.NHDCP.com.²

You will need your passcode for the website or Personal Identification Number³ (PIN) for KeyTalk to apply.

Continued on back

How long will the loan processing take?

Once you apply online or through KeyTalk and your request is in good order, checks are generally mailed within seven to 10 business days.

How do the deductions get processed?

Your Payroll Department will be notified to begin payroll deductions approximately 30 to 45 days after the loan is processed. *Please note: It is your responsibility to verify that the loan deductions begin in order to avoid default. Reference the amortization schedule you receive with your loan documents for timing of payments.*

What does it mean to take a loan from my account?

When you take a loan from the Plan, you are actually borrowing money from your account. You will pay back the money to the account, with interest, over a specified period of time in substantially equal installments. You also will be charged a loan application fee, and the number of loans you may take is limited.

How can the loan affect my savings?

Remember the main purpose of the Plan—saving and investing for retirement. When you make regular payroll deductions over a long period of time, your contributions and their earnings can really add up thanks to compounding—which is when potential earnings accumulate on what you have already earned, as well as on your initial investment.

The most dramatic effect borrowing from your retirement account can have is that it reduces the value of your account. Until the full amount is repaid, you cannot realize the effects of tax-deferred compounding at the same level as before you took out the loan. The result: Your total account balance at retirement may be less.

Plus, if you have a loan to repay, you may decide you can't afford to contribute to your account for a while, which can further impede your growth potential. And when you borrow from your account, you're selling some of the investments in the account to make the money available. If the market is down when you take out the loan, you may have to take a loss.

What are the tax implications of taking a loan from my retirement Plan?

Unlike certain other types of loans, such as a home equity loan or second mortgage, the interest you pay on a retirement account loan is not tax-deductible. In addition:

- If you suspend contributions to your account in order to pay off the loan, you will not be able to realize one of the tax advantages of before-tax contributions: reducing your current taxable income.
- The loan is tied to your employment. If you sever employment before the loan is repaid, you will have to repay the balance in full or the remaining balance will be considered a taxable distribution subject to taxes. If the loan is considered a taxable distribution, you would also have to claim the loan as income when you file your taxes.
- When you pay back your loan, you do so with after-tax dollars. And when you withdraw money from the account in retirement, it will be taxed.

What are some other options?

There are alternatives to borrowing from your retirement Plan. You may qualify for a home equity loan or another type of secured credit loan, which may offer an interest rate comparable to that of a retirement account loan. And unlike the retirement account loan, the home equity loan may be tax-deductible. If you are car shopping, see what kind of loan the dealer or local credit union offers. Or if you need the money for college, you may qualify for a low-interest college loan.

What's best for me?

Everyone's situation is different. The amount you need to borrow, your time frame for repaying it, how close you are to retirement, and whether you can continue contributing to your retirement Plan account while repaying the loan are important concerns. Consider each of these factors before deciding which option is best for you.

Have Questions? Need Information? Call (877) 457-3535.

1 Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

2 Access to KeyTalk and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

3 The account owner is responsible for keeping the assigned PIN/passcode confidential. Please contact Great-West Financial immediately if you suspect any unauthorized use.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.

GWFS Equities, Inc., Member FINRA/SIPC, is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Empower Retirement refers to the products and services offered in the retirement markets by Great-West Life & Annuity Insurance Company (GWL&A), Corporate Headquarters: Greenwood Village, CO; Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY; and their subsidiaries and affiliates. The trademarks, logos, service marks, and design elements used are owned by their respective owners and are used by permission. ©2015 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1124LH (04/2015) PT211623