To calculate a loan, our office uses the following rules set in place by the IRS. The participant can take a maximum of 50% of their vested balance or a maximum of $50,000. Should the participant have a current outstanding loan or has had a loan balance in the past 12 months, this will affect the calculation as well by decreasing the current loan amount from their maximum availability. The plan does not have any loans that are currently outstanding, so this should not be an issue with calculating availability.

Example: If a participant has a vested balance of $10,000 with no outstanding loan balance, we would take 50% of that balance which would be $5,000.

The minimum loan amount is $1,000 so a participant must have a vested account balance of at least $2,000.

Loans do have an interest rate. The interest rate is Prime (currently 7.75%) + 2. This helps the participant to re-coop some of the monies that their account may have earned if they had not removed the monies for a loan.

Should you ever have a participant who would like to pursue a loan, you can always email our office and we would be more than happy to calculate their loan availability.