

The Impact of a 401(k) Loan



The Prudent Expert

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Say a worker has been making monthly contributions of \$264 to his 401(k) account, which has been earning an annualized return of 8%. When, at age 40, he takes out the loan listed below and halts his monthly contributions, his after-tax monthly loan repayment would be \$198, based on an interest rate of 7%.

	Loan	No loan
• Initial 401(k) balance at age 40	\$50,000	\$50,000
• Loan amount	\$10,000	
• Balance at the end of the 5-year payback period	\$74,143	\$93,891
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• Balance at age 65	\$520,799	\$618,095

Source: T. Rowe Price Copyright 2008 USA TODAY, a division of [Gannett Co. Inc.](#)

This example is purely hypothetical and is used for illustrative purposes only. The performance information provided is not indicative of any particular investment.