



# 403(b) Loan Overview

## Frequently Asked Questions

### Am I borrowing my money?

You are borrowing from your 403(b) retirement savings. By applying for a loan, you have assigned a portion of your TSA's value as collateral for your loan. In essence, you are borrowing against the value of your TSA.

### Do I have to pay my loan back?

To avoid adverse tax consequences under Internal Revenue Code (IRC) Section 72(p), loans are required to be repaid according to the agreed-upon repayment schedule within five years (longer for principal residence loans). You may make your payment by submitting a personal check with a coupon or by establishing a pre-authorized check plan. ReliaStar Life Insurance Company (RLIC) requires a monthly payment in the amount shown on the coupon.

### What happens if I don't make my payments or if my payment is late?

The Internal Revenue Service (IRS) requires regularly scheduled repayments of loans from 403(b) plans. Your annuity contract requires that we receive your loan payments within a window that begins 27 days before the payment due date and ends at the end of a grace period described at the end of this section. Any payment that is not received by the end of the applicable grace period is considered a missed payment.

If you qualify for a distribution from your contract under applicable tax rules, funds will be taken from your contract value on the last day of the grace period and applied to cover the payment that is due, so as to avoid its being considered a missed payment. The amount used to cover your loan payment will be considered a taxable distribution, and may be subject to contractual withdrawal charges or the IRS 10% premature distribution penalty tax, if applicable.

If you do not qualify for a distribution and have a total of four missed payments, the entire outstanding balance of the loan will be in default and considered a deemed distribution that is taxable income for the year in which

the deemed distribution took place. Please be aware that at the point the 27-day grace period (after the due date of your fourth missed payment) extends over the calendar quarter, the entire loan will be considered in default. (In other words, if your fourth missed payment occurs over a calendar quarter, the 27-day grace period will not apply and your entire loan will be considered in default and will be reported to the IRS on Form 1099-R, marking the entire outstanding balance of the loan amount as a taxable distribution, subject to any applicable penalties. The IRS 10% premature distribution penalty tax may be applicable to this deemed distribution. A defaulted loan must also continue to be held in our records as an outstanding loan until such time as it is repaid.

Interest will continue to accrue after the defaulted loan has been deemed a distribution. This interest will be added to your defaulted loan balance and may affect your eligibility for any future loans. Generally, at age 59½ or upon your severance from employment with your employer, we will apply contract values to pay the outstanding defaulted loan balance without you incurring further federal income tax consequence. If the cash value of your account is not sufficient to repay the outstanding defaulted loan balance, the entire loan will remain outstanding and accruing interest until it is repaid or the contract value is sufficient to repay the loan.

The applicable grace periods under the contract are as follows: if you have had fewer than three missed payments, the grace period ends on the 27th day after the payment due date; if you have a total of three missed payments, sequentially or otherwise, the grace period ends on the earlier of (i) the 27th day after the payment due date and (ii) the last day of the calendar quarter in which the payment was due. Please consult your tax advisor for additional information.

### What is my minimum loan amount?

The minimum loan amount must be at least \$500 for most fixed annuity contracts and \$1,000 for the ING

StrataFlex Annuity, ING MVA Annuity and certain other annuity contracts.

The minimum loan amount for variable annuity contracts is \$1,000. Loans are not currently available from Roth 403(b) contracts.

### What is the interest rate on my loan?

• **Fixed Rate Loans-** *For all products except the ING MVA Annuity and ING FutureLink Annuity*, a fixed interest rate is charged for TSA loans. Currently, a loan interest rate of 5.50% is charged for the entire term of the loan. For variable annuity contracts subject to ERISA, a loan interest rate of 8% is currently charged for the term of the loan.

• **Variable Rate Loans-** *For the ING MVA Annuity*, the new loan interest rate will be equal to the Moody's Corporate Bond Yield Average – Monthly Average for the calendar month ending two months before the date on which the new loan interest rate is effective. Annually, on the loan anniversary date, the loan rate will be adjusted if the new Moody's rate increases or decreases by 0.50% or greater.

*For the ING FutureLink Annuity*, the interest rate set for new loans will be the greater of 4% or the Moody's Corporate Bond Yield Average – Monthly Average for the calendar month ending two months before the date on which the new loan interest rate is effective. Once determined, the interest rate will remain in effect for at least three months and will be determined again at regular intervals at least once every twelve months. Rates on existing loans may be adjusted if the new Moody's rate increases or decreases by 0.50% or greater.



## TSA LOAN OVERVIEW

### Do I earn any interest on the outstanding loan balance?

For the ING MVA Annuity and ING FutureLink Annuity, the interest earned on the loaned funds will earn the same rate of interest as the rest of your contract. For all other products, the interest earned on loaned funds is 3.00%. This rate may be less than your interest rate on the unloaned portion of your contract.

### What happens to the interest I'm charged? Is it tax deductible?

The interest you are charged on your TSA loan is paid to RLIC, much like the interest you are charged on a loan from a bank. In some cases, such as loans for a principal residence, this interest may be tax deductible. In general, the IRC Section 72(p) provides that any interest paid or accrued on a loan is not tax deductible if the loan is secured by amounts attributable to salary reduction (i.e., the contributions in your TSA). RLIC cannot make this determination for you. To determine whether or not the interest you will pay on your TSA loan is tax deductible for you, please consult your tax attorney or accountant.

### Can my monthly TSA contribution be used to make my loan payments?

No. You make contributions to your annuity on a pretax basis. The IRS requires that loans be repaid with after-tax funds.

### Can I pay off my loan early?

Currently, RLIC allows you to pay more than the required monthly payment.

Doing so will pay down your principal loan balance more quickly. Note: you cannot "prepay" a monthly payment; if you pay more than the required current monthly amount, you are still not released from making your payment the following month. If you wish to pay your entire loan balance off early, please contact RLIC for written consent and the payoff amount at the time you are ready to make the final payment.

### What if I'm on an unpaid leave of absence from my employer?

If you're on an unpaid leave of absence, federal law generally allows your loan payments to be deferred for the length of your leave or one year, whichever is less. *RLIC must be advised of your leave in writing by your employer prior to your leave to obtain this payment deferral.* Your loan will continue to accrue interest at the specified rate during the leave. At the end of this time period, your loan payments must resume and the remaining loan balance must be paid within the original term. Special rules apply if your absence is due to military leave.

### Can I have more than one loan?

Except for the ING MVA Annuity and ING StrataFlex Annuity, your contract allows you to take up to four loans in a calendar year on a nonguaranteed basis, if you have funds available. The amount available for a loan is the maximum allowed by IRS regulations. If you have an outstanding defaulted loan, you may not be permitted to take a subsequent loan

until the outstanding loan plus any accrued interest is repaid. For the ING MVA Annuity, a maximum of one (1) loan is allowed to be outstanding at any time. If there is a prior loan taken which is now in default, no new loan may be taken until you have repaid in full the defaulted loan, plus any accrued interest. For the ING StrataFlex Annuity, a maximum of one (1) loan is allowed per contract year. If there is a prior loan taken which is now in default, no new loan may be taken until you have repaid in full the defaulted loan, plus any accrued interest. Generally, the total of all loans from your employer's plans must not exceed the lesser of \$50,000 or 50% of your vested account value under all plans of your employer. Any outstanding loans will affect the amount available. Please call our toll-free number 1-877-884-5050 if you would like a quote.

### How do I find out more?

Your ING representative will be happy to answer any questions. You may also call a customer service representative at 1-877-884-5050.

This bulletin is intended to respond to commonly asked questions about TSA loans. It's not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

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All guarantees are based on the financial strength and claims-paying ability of ReliaStar Life Insurance Company who is solely responsible for all obligations under its policies.

For 403(b)(1) annuities, the Internal Revenue Code (IRC) generally prohibits withdrawals of 403(b) salary reduction contributions and earnings on such contributions prior to death, disability, age 59½, severance of employment, or financial hardship. Amounts held in a 403(b)(1) annuity as of 12/31/1988 are "grandfathered" and are not subject to these restrictions. For 403(b)(7) custodial accounts, the IRC generally prohibits withdrawals of any contributions and attributable earnings prior to death, disability, age 59½, severance of employment, or financial hardship. For both 403(b)(1) annuities and 403(b)(7) custodial accounts, the amount available for hardship is limited to the lesser of the amount necessary to relieve the hardship, or the account value as of 12/31/1988 plus the amount of any salary reduction contributions made after 12/31/1988 (exclusive of any earnings.) These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax advisor.

Refers to the following TSA policies: T-264 2-87, T218 2/86, T-193 11-83, T-304 9-88, 03803 12-96, 03804 12-96, 13000 2-95, 13004 2-95, 13076 7-99, 13078 7-99, 13081 7-99, 15248 5-92, 15218 R8-90, 15187 11-90, 15385 1-92, 15255 12-93, 40031 12-03, 40030 12-03, 40036 2-04, 40040 8-05, 40063 11-04, 40064 11-04, and 40083 8-05.

Portions of this bulletin also apply to Policy Form Nos. 03501 7-00, 03801 3-98, and 04201 11-00.

[www.ing.com/us/tsa](http://www.ing.com/us/tsa)

Annuities are issued by ReliaStar Life Insurance Company, 20 Washington Avenue South, Minneapolis, MN 55401. Variable annuities issued by ReliaStar Life Insurance Company are distributed by ING Financial Advisers, LLC, (member SIPC), One Orange Way, Windsor, CT 06095-4774. Both are members of the ING family of companies.  
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