

SAFEGUARD YOUR PARTICIPANTS FROM 401(K) LOAN DEFAULTS

INTRODUCING RETIREMENT LOAN ERASER™

Loan defaults hurt financial security

Participants default on their loans at alarming rates. Research shows that 86% default on their loans post-separation.¹ According to a Deloitte study, retirement plan leakage from loan defaults is expected to be approximately \$2.5 trillion over ten years², a figure that will likely be exacerbated by the global pandemic.



Participants are asking for help. A recent study by Greenwald & Associates found that participants are concerned about repayment if they lose their jobs—and interested in a “safety net” that will protect them against default.³

RETIREMENT LOAN ERASER:

An automated, low-cost financial wellness program

Retirement Loan Eraser (RLE), the only 401(k) loan protection program, automatically prevents loan defaults caused by involuntary job loss.

WHY RETIREMENT LOAN ERASER?

PLAN SPONSORS

- Improve financial wellness and retirement outcomes
- Reduce employee stress and increase productivity during a challenging time
- Fulfill fiduciary obligation to monitor loan investments and preserve plan assets

PARTICIPANTS

- Protect \$300K in financial security, on average, by preventing defaults and the associated taxes, penalties, cash-outs, and lost earnings²
- Have peace of mind during financial emergencies, including after job loss
- Improve decision-making through “just-in-time” financial education

1 “Borrowing from the Future: 401(k) Plan Loans and Loan Defaults,” Vanguard Wharton Study, 2015.

2 “Loan leakage: How can we keep loan defaults from draining \$2 trillion from America’s 401(k) accounts?”, Deloitte, October, 2018.

3 “Missing Voices: What 401(k) Borrowers Can Add to the Loan Conversation,” Greenwald & Associates, October, 2019.

HOW IT WORKS

- **Easy to add to your plan:** Make a simple update to the loan policy.
- **Automatic:** No decision required by participant; coverage is issued when a new loan is initiated, and is insured by an A.M. Best “A” rated insurance carrier.
- **Flexible, low-cost options:** Fees are a fraction of the cost of retail insurance and may be participant- or sponsor-paid. Plan sponsor selects one of three coverage levels ranging from continuation of loan payment to full loan payoff.

A targeted participant experience based on employment status

	Active Participants	Terminated Participants	
		Lose job involuntarily, unsuccessful at regaining employment	Separated and re-employed
“Just in time” communication & education	✓	✓	✓
Call center support	✓	✓	✓
Repayment of loan*		✓	

*In full or a fixed number of ongoing principal and interest payments, depending on coverage.

ABOUT CUSTODIA FINANCIAL

Custodia Financial is the insurance technology company behind Retirement Loan Eraser™, the innovative program specifically created to improve financial wellness by preventing loan defaults in defined contribution plans. The Custodia Financial team includes leaders from some of the nation's leading retirement industry experts, as well as nationally recognized ERISA attorneys and thought leaders who share a sole mission to automatically improve retirement readiness by solving America's \$2.5T 401(k) loan default problem.

Learn more.

www.loaneraser.com

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