

Congressman Leonard Lance  
133 Cannon HOB  
Washington, D.C. 20515

Dear Mr Lance,

I am a constituent interested in helping people with their personal finance. I would like to recommend legislation which could help people have greater control over their personal finance. This concerns the 401-k savings program (and other similar defined contribution plans) on which more and more people are dependent, as fewer and fewer employers are offering defined benefit retirement programs.

401-k plan balances are portable and on leaving an employer one can transfer to an IRA or new employer's 401-k plan or simply retain balances with the previous employer. However, 401-k loans are not portable and the employee is expected to repay the loan within a period of 60 or 90 days or face taxes and penalties.

Without this drawback the loan feature is a good option. One can have faith in one's own credit rather than depend on the vagaries of the market in order to earn retirement income. Further since the borrower is using his own capital he/she gets a much lower interest rate than prevailing interest rates especially for a loan without collateral. Further when market interest rates are high and/or when financial markets are performing poorly then the borrower stands to gain with a 401-K loan instead of a commercial loan. I have a business cum blog where I illustrate this. See [www.resourcetepee.com](http://www.resourcetepee.com) where I offer free helpful personal finance calculators. Look at the "Bank vs 401-k loan Calculator" tab under "Free Personal Finance Calculators".

In view of the increasing trends towards voluntary and involuntary termination of employment a number of things can be done to improve the 401-k loan feature. Some options listed in increasing order of difficulty in implementing are (which also correlates with an increasing utility to the borrower):

- 1) Allow the employee to keep making payments towards the loan if the 401-k balance is retained with the prior employer, without requiring repayment within 60/90 days.
- 2) In addition to (1), allow a 401-k loan to be portable along with balances to a new employer's 401-k plan.
- 3) In addition to (2) allow the portability of the loan along with conversion of balances to an IRA.
- 4) In addition to (3) expand the loan feature to all traditional IRAs, irrespective of whether they are 401-k transfers or independent contributions.

If medical insurance can be portable, why not loans on retirement balances. Especially in the event of involuntary termination it will be helpful if your constituents do not have to try to come up with a five or six thousand loan balance within 60/90 days.

I have also cced my other representative Senator Robert Menendez. I hope you can implement bi-partisan legislation to make these changes (at least those higher up on my list).

Thanking You,

Sincerely,

Shankar Srinivasan  
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