



Retirement Loan Protection

FACTSHEET



Program overview

Retirement plan loans provide much-needed assistance to participants facing financial hardships; however, job loss, death, or disability can cause them to default and be forced to pay their balances in full, hurting their retirement readiness.

What is retirement loan protection?

Custodia Financial's automated, low-cost retirement loan protection product makes loan payments when participants can't due to unexpected job loss—and in the case of death or disability, pays loans off in full.

New loans are automatically covered after retirement loan protection is in place. Employees with existing loans may also add coverage through a one-time window.

What does it cover?

Retirement loan protection covers missed loan payments as a result of death, disability, or involuntary unemployment.

- Participants who are terminated involuntarily are eligible for up to 12 months of loan payments.
- Participants who pass away or are permanently disabled have their loan balances fully repaid.
- Participants who leave their jobs voluntarily can continue making loan payments to Custodia Financial.

Key features of retirement loan protection

Policy	Property and casualty insurance held by the plan sponsor to protect the loan assets of the plan.
Underwriter	Insurance carriers have AM Best ratings of A and experience in similar markets.
Features	Plan sponsors may select coverage for up to 12 months following job loss and whether participants can opt out after borrowing.
Fees	Fees start around \$2 per month per thousand dollars borrowed and vary based on program design. Fees can be paid by the sponsor or participant borrowing.
Vesting	The policy covers participant loans beginning 120 days following the inception of the loan.
Administrator	Custodia Financial provides program management, underwriting, participant support, payment processing, and claims administration.

What are the policy limits?

Custodia Financial will repay the protected loan balance of each outstanding loan up to a maximum of:

- \$1,000 per month for 12 months, \$12,000 total, for participants that lose their jobs unexpectedly or leave their jobs voluntarily, or
- A \$50,000 total lump sum payment in the event of a participant's death or disability.

What are the key exclusions?

Exclusions are kept to a minimum. Once coverage is in place, major exclusions include:

- Terminations arising from a crime or misconduct
- Retirement
- Retirement loan protection benefits previously paid from the same plan
- Loans that are no longer outstanding
- Routine or seasonal shutdown or furlough*

*Participants subject to furloughs are provided a grace period of up to 12 months before coverage is canceled.

What is included in the fee?

Pricing for each plan is based on the length of time loan payments are covered and whether participants can opt out at the time they borrow. The fee is all inclusive and covers program management, underwriting, participant support, payment processing, and claims administration.



Policy in action

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PRE-CLAIM

1. Employee initiates loan
2. Employee learns about retirement loan protection
3. Custodia Financial sends Welcome Kit with information detailing retirement loan protection

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CLAIM

1. Employee is terminated involuntarily, becomes disabled, or changes jobs
2. Employee contacts Custodia Financial
3. Custodia Financial reaches out to the plan sponsor
4. Plan sponsor verifies employee's termination
5. Custodia Financial processes a claim

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POST-CLAIM

1. For employees terminated involuntarily, Custodia Financial makes monthly payments during their job search
2. Custodia Financial pays a lump sum if the employee dies or becomes disabled
3. Employees that voluntarily change jobs can continue making loan payments through Custodia Financial

How are participant fees paid?

Participant-paid fees are deducted monthly from retirement plan accounts. A \$5,000 loan would cost \$10 per month for the life of the loan at \$2 per month per thousand dollars borrowed.

How does a plan sponsor add retirement loan protection?

Custodia works alongside plan sponsors and administrators to update loan policies, communicate benefits to employees, and provide comprehensive retirement loan protection.

How are claims processed?

A claim is processed after a terminated participant contacts Custodia and the plan sponsor electronically verifies the involuntary nature of the employee's separation.

Who communicates with participants?

Custodia coordinates a full suite of communication services with the plan recordkeeper.

Can a claim denial be appealed?

A participant may appeal any decision that negatively affects them using the retirement plan's established claim and appeal process.

Why choose Custodia?

Our mission is to safeguard Americans' retirement security by preventing retirement loan defaults. When you partner with us, you can be assured we have the expertise to help participants when they need it the most. Founded by career industry experts with a proven history of creating innovative products for the defined contribution industry, Custodia Financial's staff includes ERISA attorneys, consultants, accountants, and specialists in administration, benefits, and technology.

Contact Us

Any questions? We're here to help.



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