Community vs Separate Retirement Loan QDRO Flowchart

Allison and Bob have $200K invested in Allison's 401K and take out $50K as a loan to pay for their child's college education. (Funds used for community purpose)

Allison and Bob separate.

The $50K community loan is charged against the community interest of $200K-which leaves the community a $150K interest in the account.

Allison receives $75K.

Bob receives $75K.

When Allison pays off the $50K loan she effectively 'pays herself back'. Similar to removing $ from a bank account and later redepositing those funds, repayment of the loan increases Allison's account value.

Carl and Deborah have $100K invested in Carl's 401(k) and take out $30K as a loan to repair Carl's classic car he owned before marriage. (Funds used for separate property purpose)

Carl and Deborah separate.

The $30K loan is charged entirely against Carl. Deborah's interest is calculated as if the loan money was not removed from the account.

Carl receives $20K.

Deborah receives $50K

Although Carl receives only $20K in retirement investments, Carl also received $30K worth of separate property classic car repairs. As such, Carl and Deborah receive the same $ amount-in different forms.

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