Thrift Savings Plan

A to Z

PRESENTED BY
Stewart Kaplan, CEBS®, AFC®, RFC®
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Some Benefits of the TSP…

- Automatic enrollment & payroll deduction
- Choice of broadly diversified investment funds that provide comprehensive coverage of each asset class
- Extremely low expenses
- Agency contributions for FERS & BRS! 1% automatic & 4% maximum match
- Income from securities lending improves the investment fund returns
- Choice of: pre-tax and/or after-tax elective deferrals
- Ability to keep TSP for Life – Simplify and save $ by transferring in other eligible accounts
- G Fund – No risk of negative returns and backed by the full faith and credit of the U.S. Government
Agenda

• Make Wise Decisions Today: Retire With Dignity Tomorrow
• Saving for Retirement: Your TSP Contributions
• Choosing a Tax Treatment: Traditional or Roth?
• Getting the Most Bang for Your Buck: Saving in the Thrift Savings Plan
• Accessing your TSP Money While Still Employed: Loans and In-Service Withdrawals
Agenda (cont’d)

• First Steps: Preparing for Separation
• Turning Savings to Income: The TSP Retirement Income Options
• Withdrawal Rules: Other Considerations
• Planning Your Legacy: TSP Death Benefits
• Getting Help: Resources for Participants
Retire With Dignity Tomorrow
Make Wise Decisions Today
Sources of Income in Retirement

Social Security

Pension(s)

Savings (TSP)
TSP Account Balance at Retirement Depends on:

- You choose when you begin to contribute
- You choose how much you will contribute
- You choose an asset allocation strategy
- How long you make contributions
- How much you contribute
- How much your balance grows
- How much returns are reduced by expenses
Actions That Positively Affect TSP Balance

FERS: Contribute enough to get full agency match
- Contribute five percent to get maximum agency match of four percent
- Applies on a per pay date basis – not an annual basis

Allocate contributions to investment funds based on appropriate balance of risk to return
- Periodically rebalance and reallocate based on a long-term strategy
- Or choose a Lifecycle fund—rebalancing and reallocations occur automatically
Actions That Negatively Affect TSP Balance

Using TSP to access savings to meet short-term needs
- Loans
- Financial Hardship Withdrawals

Frequent Interfund Transfers
- Short-term, tactical moves using index funds is generally an unsuccessful long-term investment strategy
Your TSP Contributions

Saving for Retirement
Contribution Elections

Election is submitted to your agency

TSP-1/TSP-U-1 form

or

Electronically via your agency/service payroll system

You choose tax character of contributions

Traditional (pre-tax)

or

Roth (after-tax)

You choose amount of contribution

Whole dollar amount

or

Percentage

- Elections are generally effective the first full pay period after receipt by the agency
- You can start, stop, change, or resume contributions at any time

Source: TSP.gov: Plan Participation, Eligibility and Contributions
**Contribution Sources and Limits**

**Participant Contributions**
- Regular (2019 limit = $19,000)
  - Traditional and Roth
- Catch-Up* (2019 limit = $6,000)
  - Traditional and Roth
  *Participants turning age 50 or older in the calendar year may make additional contributions to the TSP

**Agency/Service Contributions (FERS & BRS)**
- Automatic 1%
  - Traditional
    - Vesting requirement
- Matching
  - Traditional
    - No vesting requirement

Source: TSP.gov: [Plan Participation, Eligibility and Contributions, Types of Contributions](https://www.tsp.gov/plan-participation/eligibility-and-contributions/types-of-contributions)
Contribution Rules

Participant Contributions

- All new and rehired employees auto-enrolled at 3% (can opt out)
- Any whole dollar amount or percentage up to IRS elective deferral limit
- No vesting rule

Agency/Service Contributions (FERS/BRS)

- Agency/Service Automatic (1%) Contributions
  - Subject to vesting
- Agency/Service Matching Contributions*
  - Based on first 5% of employee contributions per pay period, whether traditional or Roth
  - No vesting rule
  - Uniformed Services members under BRS may not receive matching contributions until 2 years and 1 day past their PEBD

Source: TSP.gov: Plan Participation, Eligibility and Contributions, Types of Contributions
Maximizing Your Match (FERS)

- Ed earns $3,000 gross pay per pay period and contributes 30%
- Susan earns $3,000 gross pay per pay period and contributes $731

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<thead>
<tr>
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<th>ED</th>
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<th>SUSAN</th>
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<tbody>
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<td></td>
<td>30% EC</td>
<td>4% Match</td>
<td>$731 EC</td>
<td>4% Match</td>
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<tr>
<td>PC #1 to PC #21</td>
<td>$900 each</td>
<td>$120 each</td>
<td>$731 each</td>
<td>$120 each</td>
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<tr>
<td>PC #1 to 21</td>
<td>$18,900</td>
<td>$2,520</td>
<td>$15,351</td>
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<td>PC #22</td>
<td>$100</td>
<td>$90 (3%)</td>
<td>$731</td>
<td>$120</td>
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<td>PC #23</td>
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<td>PC #26</td>
<td>$0</td>
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<td>$120</td>
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<td>PC #22 to 26</td>
<td>$100</td>
<td>$90</td>
<td>$3,649</td>
<td>$600</td>
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</table>

Total of 22 Contributions: $19,000 $2,610
Total of 26 Contributions: $19,000 $3,120

Source: TSP Fact Sheet - Annual Limit on Elective Deferrals
Catch-Up Contributions

Participants can begin making Catch-Up contributions any time during the calendar year they turn 50

- In addition to the regular TSP contributions
- Dollar amount only
- Require a separate election
- A new election must be submitted for each calendar year
- Electronic election or TSP-1-C/TSP-U-1-C
- Maximum contribution for 2019 is $6,000
- Must self-certify intent to make regular contributions up to elective deferral limit
- No agency matching on catch-up contributions

Source: TSP.gov: Plan Participation, Eligibility and Contributions, Types of Contributions
Choosing a Tax Treatment

Traditional

Roth
Traditional TSP Contributions

Traditional contributions are deducted from gross pay BEFORE taxes.

Lowers current taxable income and gives a tax break today.

BOTH contributions and earnings grow tax-deferred.

Agency Matching contributions will always be traditional.

Agency Automatic contributions will always be traditional.

Roth TSP Contributions

Roth contributions are deducted from gross pay **AFTER** taxes.

Does not affect current taxable income.

Contributions will not be taxed again.

Earnings grow tax-deferred until they become “qualified” - “Qualified” earnings grow tax-free.

Agency Matching contributions will always be traditional.

Agency Automatic contributions will always be traditional.

Roth TSP – Qualification Rules

• For Roth earnings to become qualified (tax-free):
  • First TSP Roth contribution must meet 5-year rule:
    • Prior participation in a Roth 401(k) transferred into TSP counts toward 5-year rule
    • Once 5-year rule is met, participant retains it for the life of their TSP account
  • Age 59½; disabled; or deceased
  • BOTH must be met

• If Roth balance is withdrawn prior to meeting qualification rules:
  • Earnings are tax deferred and subject to IRS 10% early withdrawal tax unless participant meets an exception:
    • If a participant receives distributions after they’ve separated in the calendar year they reach age 55 or older (or in the calendar year they reach age 50 or older for certain public safety employees)

Source: Summary of the Thrift Savings Plan, A Choice of Tax Treatments, p. 7
Traditional or Roth?

**Current tax rate is:** 22%

- **Equal impact on annual net pay**
  - You make a Traditional Contribution of $10,000
  - OR
  - You make a Roth Contribution of $7,800 (and pay $2,200 in Federal income taxes for current year)

Source: [Summary of the Thrift Savings Plan, Traditional Contributions vs. Roth Contributions: An Example of the Effect on Your Long-Term Savings, p. 8](#)
# Roth TSP vs. Roth IRA Limits

<table>
<thead>
<tr>
<th></th>
<th>Roth Employer Plans (e.g., Roth TSP)</th>
<th>Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019 Income Limits</strong></td>
<td>Available to all participants regardless of income</td>
<td>Not available to taxpayers with income above certain limits: MFJ - $193,000 to $203,000 MFS - $0 to $10,000 All others - $122,000 to $137,000</td>
</tr>
<tr>
<td><strong>2019 Contribution Limits</strong></td>
<td>$19,000 (plus an additional $6,000 if turning age 50 or older)</td>
<td>$6,000 ($7,000 if turning age 50 or older)</td>
</tr>
</tbody>
</table>

Retirement Savings Contribution Credit

- Designed to encourage low- and modest-income individuals to save for retirement
- Depending upon adjusted gross income (AGI) and filing status, participant may be able to take a tax credit for their TSP contributions
- For more information, see IRS Form 8880

2019 AGI Limits*

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<th>Married Filing Joint</th>
<th>Single</th>
<th>Maximum Credit Per Person</th>
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</thead>
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<tr>
<td>Less than $38,500</td>
<td>Less than $19,250</td>
<td>50% of your contribution ($1000)</td>
</tr>
<tr>
<td>$38,501 - $41,500</td>
<td>$19,251 - $20,750</td>
<td>20% of your contribution ($400)</td>
</tr>
<tr>
<td>$41,501 - $64,000</td>
<td>$20,751 - $32,000</td>
<td>10% of your contribution ($200)</td>
</tr>
<tr>
<td>AGI greater than $64,000</td>
<td>AGI greater than $32,000</td>
<td>0% of your contribution (no credit)</td>
</tr>
</tbody>
</table>

Source: IRS.gov: Retirement Savings Contributions Credit (Saver’s Credit)
Moving Money From Other Plans Into TSP

Transfer (Direct)

- Eligible Employer Plans (Traditional or Roth)
  - 401(k), 403(b), 457(b)
  - Sep IRA, SIMPLE
- Traditional IRA (Pre-tax only)
- NOT Roth, Education or Inherited IRAs

Money moves directly from an eligible plan or retirement account into the TSP
Participant does not have use of the money

Rollover (Indirect)

- Eligible Employer Plans (Traditional only)
  - 401(k), 403(b), 457(b)
  - Sep IRA, SIMPLE
- Traditional IRA (Pre-tax only)

Participant has use of the money for 60-days
May result in tax withholding and early withdrawal penalty if under age 59.5

Need to complete:
1. Withdrawal process from eligible plan
2. TSP-60/TSP-60R

Source: Summary of the Thrift Savings Plan, Moving Money From Other Plans Into the TSP, p. 10
Combining TSP Accounts

- If you have both a uniformed services and a civilian TSP account AND are separated from the service associated with one of them, you can transfer your balance out of that account and into the other account.
- You may transfer in either direction if separated from both.

Note: A tax-exempt balance in a uniformed services account cannot be transferred to a civilian TSP account.

Source: Summary of the Thrift Savings Plan, Combining accounts, p. 19
Saving in the Thrift Savings Plan

Getting the Most Bang for Your Buck
Diversification

Diversification is:

- Balancing an investment portfolio by dividing it among different securities, industries or classes

It reduces risk because:

- It combines a variety of investments which are unlikely to all move in the same direction

The TSP achieves diversification by tracking specified baskets of investments called “index investment funds”

Source: TSP.gov: Planning & Tools, Investment Strategy, Before You Invest, How Much Diversification Do I Need?
Index Investment Funds

• Facilitate a passive strategy – No need to:
  • Pick individual investments
  • Try to time market movements
  • Eliminate the anxiety of trying to beat the market
  • Reduce trading costs and investment expenses

Image Source: FinViz.com S&P500 Index Map

Standard and Poor’s 500 index stocks categorized by sectors and industries. Size represents market cap. (as of May 2, 2019)
TSP Core Investment Funds

**G Fund**
- **Bloomberg Barclays Capital U.S. Aggregate Bond Index**
- Nonmarketable short-term U.S. Treasury security
- Specially issued to the TSP

**F Fund**
- **S&P 500 Index**
- High-quality fixed income securities with maturities of more than one year

**C Fund**
- **Dow Jones U.S. Completion Total Stock Market Index**
- Large – Medium companies ~82% of US stock market
- Medium – Small companies ~ the rest of US stock market

**S Fund**
- **MSCI EAFE Index**
- Large companies in developed countries

**I Fund**
- **Domestic**
- **International**

*See TSP Fund Information at: Investment Funds and Investment Option Review at: FRTIB Reading Room*
The returns for the TSP funds represent net earnings after the deduction of administrative expenses, trading costs, and investment management fees.

Source: TSP.gov: [Investment Funds, Fund Performance, Share Price History](#)
## TSP Core Fund Performance - G

**11 Year Summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>G Fund</th>
<th>F Fund</th>
<th>C Fund</th>
<th>S Fund</th>
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<th>L 2040 Fund</th>
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<tbody>
<tr>
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### TSP Core Fund Performance - I

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<tr>
<td>2008</td>
<td>I 30.04%</td>
<td>I 18.62%</td>
<td>I 7.94%</td>
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Source: TSP.gov: Investment Funds, Fund Performance, Share Price History
## Costs of Investing with the TSP

<table>
<thead>
<tr>
<th></th>
<th>G Fund</th>
<th>F Fund</th>
<th>C Fund</th>
<th>S Fund</th>
<th>I Fund</th>
<th>L Income</th>
<th>L 2020</th>
<th>L 2030</th>
<th>L 2040</th>
<th>L 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018 Administrative Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross</td>
<td>0.051%</td>
<td>0.052%</td>
<td>0.052%</td>
<td>0.052%</td>
<td>0.052%</td>
<td>0.051%</td>
<td>0.052%</td>
<td>0.052%</td>
<td>0.052%</td>
<td>0.052%</td>
</tr>
<tr>
<td>Net¹</td>
<td>0.040%</td>
<td>0.041%</td>
<td>0.041%</td>
<td>0.040%</td>
<td>0.041%</td>
<td>0.040%</td>
<td>0.040%</td>
<td>0.040%</td>
<td>0.040%</td>
<td>0.040%</td>
</tr>
<tr>
<td><strong>Other Expenses²</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.000%</td>
<td>0.016%</td>
<td>0.001%</td>
<td>0.021%</td>
<td>0.010%</td>
<td>0.002%</td>
<td>0.003%</td>
<td>0.005%</td>
<td>0.007%</td>
<td>0.005%</td>
</tr>
</tbody>
</table>

1. Net administrative expenses are the expenses charged to TSP participants per dollar invested in the respective funds after offsetting gross administrative expenses with account forfeitures and loan fees.
2. Fees associated with securities lending are not included in 2018 administrative expenses.
Consistent with standard practice in the industry, they are charged in addition to administrative expenses.
The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the funds.

Source: TSP.gov: [Investment Funds, Funds Overview, Expense Ratio](https://www.tsp.gov/InvestmentFunds/FundsOverview/ExpenseRatio)
Comparison of TSP’s Net Administrative Expenses

<table>
<thead>
<tr>
<th>TSP</th>
<th>Average 401(k) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.40 per $1,000(^1)</td>
<td>$4.10 per $1,000(^2)</td>
</tr>
</tbody>
</table>

1. Net administrative expenses charged to the TSP participant across all funds, 2018
Effect of TSP’s Expenses on Long-Term Returns

Calculation discounts 6.0% RoR by .41% (Avg. 401(k)) & .040% (TSP) with compounding annually to determine values.

Balance after 10 years:
- $10,000: $17,228 vs. $17,941
- $25,000: $40,069 vs. $44,603
- $50,000: $86,139 vs. $99,205
- $100,000: $172,777 vs. $178,410
- $150,000: $258,416 vs. $267,615
- $200,000: $344,554 vs. $356,920

$613 difference

$12,266 difference

Balance after 30 years:
- $10,000: $532,121 vs. $567,888
- $25,000: $1,127,827 vs. $1,278,271
- $50,000: $2,655,655 vs. $2,839,961
- $100,000: $5,131,309 vs. $5,678,983
- $150,000: $7,666,964 vs. $8,512,824
- $200,000: $10,226,619 vs. $11,357,765

$5,657 difference

$113,146 difference

Avg. 401(k) vs. TSP

Thrift Savings Plan
Performance of the TSP Core Fund Share Prices

Source: TSP.gov: Investment Funds, Fund Performance, Share Price History
The TSP’s Lifecycle Funds

Allocation Targets as of January 2019

Source: TSP.gov: Investment Funds, Fund Options, Lifecycle Funds
The Lifecycle Funds and the “Efficient Frontier”

- Rebalanced to their target allocations each business day
- Adjusted quarterly to more conservative investments as the fund time horizon shortens
- Objective is to provide the highest expected rate of return for the amount of risk expected

Source: TSP.gov: TSP Fund Information Sheets
Making TSP Account Transactions

For New Contributions

Contribution Allocation

My Account section of the TSP website at tsp.gov
or
Thriftline at 1-877-968-3778

For Money Already in Your Account

Interfund Transfer

Source: Summary of the Thrift Savings Plan, Contribution Allocations and Interfund Transfers, p. 15
Participant Statements

- **Quarterly Statements (January, April, July and October)**
  - In My Account section of tsp.gov
  - View on web or opt-in to have statements mailed to you
  - Shows all transactions in your account during preceding three months

- **Annual Statements**
  - In My Account section of tsp.gov
  - View on web
  - Mailed to you by default (Opt-out to stop the mailing)
  - Summarizes financial activity on your account and personal investment performance

- **Keep your address and personal information up-to-date**
  - If employed, contact your service or agency
  - If separated, update in My Account section, use Form TSP-9 or call the Thriftline

Source: TSP.gov: My Account, Account Information, Statements
Quarterly Statement

Participant Address

Ensure that all personal data on file with the TSP is correct

Participant Information

Employed participants should report errors to their agency for correction. Separated participants can submit corrections directly to the TSP.

Your Investment Return

Your Personal Rate of Return
Last 12 Months
10.26%

Questions? tsp.gov
ThriftLine: 1-866-436-1078
Outside U.S. and Canada: 202-343-4499
To correct personal or contribution information, contact your agency.
### YOUR QUARTERLY ACCOUNT SUMMARY

<table>
<thead>
<tr>
<th>TSP FUNDS</th>
<th>Beginning Balance</th>
<th>Contributions and Additions</th>
<th>Withdrawals and Deductions</th>
<th>Interfund Transfers</th>
<th>Gain or Loss This Quarter</th>
<th>Ending Balance</th>
<th>Beginning Shares Price</th>
<th>Number</th>
<th>Ending Shares Price</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G Fund</td>
<td>$48,554.54</td>
<td>$405.64</td>
<td>$8,665.38</td>
<td>$0.00</td>
<td>$91.14</td>
<td>$40,365.94</td>
<td>$14,207.3</td>
<td>3,417.577</td>
<td>$14,235.6</td>
<td>2,836.9681</td>
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<tr>
<td>C Fund</td>
<td>$21,230.80</td>
<td>202.85</td>
<td>3,932.24</td>
<td>0.00</td>
<td>1,008.17</td>
<td>18,507.58</td>
<td>21,600.1</td>
<td>982.9299</td>
<td>22,660.2</td>
<td>816.7443</td>
</tr>
<tr>
<td>S Fund</td>
<td>$6,637.01</td>
<td>33.79</td>
<td>1,224.29</td>
<td>0.00</td>
<td>197.68</td>
<td>5,644.19</td>
<td>31,003.8</td>
<td>214,070.9</td>
<td>31,882.9</td>
<td>177,026</td>
</tr>
<tr>
<td>I Fund</td>
<td>$954.51</td>
<td>33.00</td>
<td>178.09</td>
<td>0.00</td>
<td>23.75</td>
<td>833.97</td>
<td>24.1817</td>
<td>39,472.4</td>
<td>24.7306</td>
<td>33,7220</td>
</tr>
<tr>
<td>Total</td>
<td>$77,376.86</td>
<td>$670.06</td>
<td>$14,000.00</td>
<td>0.00</td>
<td>$1,316.74</td>
<td>$65,371.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### YOUR QUARTERLY LOAN SUMMARY

<table>
<thead>
<tr>
<th>Loan ID</th>
<th>Principal as of 10/01/2013</th>
<th>Amount of New Loan</th>
<th>TOTAL Principal Repaid</th>
<th>Principal as of 12/31/2013</th>
<th>TOTAL Interest Paid</th>
<th>Last Loan Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1009001G</td>
<td>$0.00</td>
<td>$14,000.00</td>
<td>$173.95</td>
<td>$13,826.05</td>
<td>$3.41</td>
<td>10/25/2013</td>
</tr>
</tbody>
</table>

### YOUR TRANSACTION DETAIL BY SOURCE

<table>
<thead>
<tr>
<th>Payroll Office</th>
<th>Posting Date</th>
<th>Transaction Type</th>
<th>Employee Traditional</th>
<th>Employee Roth</th>
<th>Agency Automatic (1%)</th>
<th>Matching</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>9730100</td>
<td>10/10/2013</td>
<td>Contribution</td>
<td>$38,451.69</td>
<td>$0.00</td>
<td>$8,135.29</td>
<td>$30,789.88</td>
<td>$77,376.86</td>
</tr>
<tr>
<td>9730100</td>
<td>10/29/2013</td>
<td>Loan Disbursement</td>
<td>$124.68</td>
<td>0.00</td>
<td>24.94</td>
<td>99.74</td>
<td>249.36</td>
</tr>
<tr>
<td>9730100</td>
<td>10/29/2013</td>
<td>Loan Repayment</td>
<td>$177.36</td>
<td>0.00</td>
<td>24.94</td>
<td>99.74</td>
<td>249.36</td>
</tr>
<tr>
<td>FRB</td>
<td>10/29/2013</td>
<td>Gain or Loss This Quarter</td>
<td>$638.35</td>
<td>0.00</td>
<td>142.15</td>
<td>538.24</td>
<td>1,318.74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ending Balance</td>
<td>$25,516.76</td>
<td>0.00</td>
<td>$8,327.32</td>
<td>$31,527.60</td>
<td>$65,371.68</td>
</tr>
</tbody>
</table>
Loans and In-Service Withdrawals

Accessing Your TSP Money While Still Employed
Available Loan Amount

- Minimum amount $1,000 (must be employee contributions and associated earnings)
- Maximum amount cannot exceed the smallest of the following:

<table>
<thead>
<tr>
<th>Contributions and earnings test</th>
<th>IRS Vested balance test</th>
<th>IRS $50,000 test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never more than your contributions and earnings</td>
<td>50% of the total vested account balance, or $10,000 whichever amount is greater</td>
<td>Never more than $50,000 minus the highest outstanding loan balance over the past 12 months</td>
</tr>
</tbody>
</table>

- The ThriftLine and website can provide the maximum amount available for a loan, loan interest rate, application and status of a loan application
- The total vested account balance includes agency matching contributions, agency automatic contributions, account balances from Civilian and Uniformed Services account, and any outstanding loans from both TSP accounts
TSP Loans

TSP Account
Agency contributions and earnings

Your contributions and earnings

Loan repayment is through payroll deduction and includes an interest charge equal to the G fund rate when the loan was processed and is fixed for life of loan

You may make additional payments directly

Loans are taken only from your own contributions and earnings

Loan Amount
-$50 loan fee

Source: TSP.gov: My Account, Account Information, Statements
Other Loan Rules

• May have two loans outstanding at same time. if one is a residential loan and one is a general purpose loan (per TSP account, if applicable)

• A valid or pending court order will prevent a loan disbursement

• There is a 60 day waiting period between the payoff of a loan before another like loan may be granted

• Loans are subject to spouses’ rights

• TSP loans must be settled within 90 days of separation to avoid a taxable distribution

• When you leave Federal service with an outstanding loan balance, you will not be able to make a withdrawal from your TSP account until your loan is closed by either payment in full or the loan is treated as a taxable distribution

Source: TSP.gov: Plan Participation, Loans and Withdrawals, TSP Loans, Loan Basics, Loan Eligibility
Indirect Loan Costs

You will miss earnings that might have accrued on the money you borrowed

Example scenario:
Balance of account prior to loan: $200K
Amount of loan: $50K
Loan interest rate: 2.375%
Loan payment: $152.45
Participant's Bi-Weekly TSP Contribution: $250
Expected Rate of Return: 8% annually

Source: TSP.gov: Plan Participation, Loans and Withdrawals, TSP Loans, Loan Basics, Loan Costs
Financial Hardship Withdrawals

The amount you withdraw from your account for a financial hardship must be limited to your financial need.

To be eligible, your financial need must result from at least one of the following four conditions:

- Minimum withdrawal $1,000
- May only withdraw your own contributions and earnings

Recurring negative monthly cash flow

Medical expenses that you have not yet paid and that are not covered by insurance

Personal casualty losses that you have not yet paid and that are not covered by insurance

Legal expenses (such as attorneys’ fees and court costs) that you have not yet paid for separation or divorce from your spouse

Source: TSPgov: Life Events, Personal Events, Economic Hardship, Financial Hardship In-Service Withdrawals
Financial Hardship Withdrawals

• Will permanently reduce your retirement savings
• Are subject to income taxes
• May be subject to the IRS 10% early withdrawal penalty tax
• Will cause a suspension to your TSP contributions for six months*
• Are subject to spouses rights

*The six month contribution suspension period will be eliminated as of September 15, 2019

Source: TSP.gov: Life Events, Personal Events, Economic Hardship, Financial Hardship In-Service Withdrawals
Age-Based In-Service Withdrawals

- Must be age 59½ or older
- Minimum withdrawal is $1,000; maximum is entire vested account balance
- Considered an eligible rollover distribution and subject to mandatory 20% Federal income tax withholding
- All or any portion may be transferred to an IRA or another eligible employer plan
- After new withdrawal rules go into effect, may take up to four per year and taking in-service withdrawals will not have any effect on eligibility to take post separation withdrawals

Source: TSP.gov: Plan Participation, Loans and Withdrawals, In-Service Withdrawals, Age-Based In-Service Withdrawals
Preparing for Separation

First Steps
Sources of Retirement Income

Social Security

Pension(s)

Savings (TSP)

Expected need
– Expected fixed income

TSP Savings Goal

Source: TSP.gov: Plan Participation, About the TSP, Purpose and History, How Does the TSP Fit into My Retirement Package?
Contribution Considerations

There is a $19,000 annual limit on your regular TSP contributions and a $6,000 annual limit on “Catch-up” contributions.

All contributions you make to employer plans* (including the TSP) during the same calendar year count toward the IRS elective deferral limit.

You CAN contribute the maximum amount over LESS than the full tax year**

*Governmental 457(b) plans have separate limit

**For any pay periods a FERS or BRS participant does not make a contribution, there will be no corresponding matching agency/service contribution.

Source: TSP.gov: Plan Participation, Eligibility and Contributions, Contribution Limits
Loans and Separation from Federal Service

- TSP loans must be settled within 90 days of separation to avoid a taxable distribution
- Participant may re-amortize or make additional payments prior to separation
- No post-service withdrawals will be processed until loan has either been paid in full or a taxable distribution of remaining balance has been declared

Source: TSP.gov: Plan Participation, Loans and Withdrawals, TSP Loans: Taxable Distributions
The TSP Retirement Income Options

Turning Savings to Income
Consider Your Options

- If you don’t need income from your account immediately and your balance is at least $200, you can leave your savings in the TSP until you’re ready.

- According to IRS rules, you must begin to take “Required Minimum Distributions” by April 1st of the year following the year you become 70½ AND are separated from service, but there’s no requirement to take all of your money out after you separate.

- Once you separate, if you still have a balance in your account, you can transfer or roll over balances from traditional IRAs or eligible employer retirement plans into the TSP.

- All of this means, you can continue to:
  - Make changes to your investment mix by making inter-fund transfers.
  - Take advantage of the TSP’s ultra low costs and the well designed investment fund options.
  - Defer income taxes on your TSP balance until you’re ready to begin receiving distributions.

Overview of the New TSP Withdrawal Options

• The TSP Modernization Act of 2017 was signed into law in November 2017 and expected to be in effect in September 2019

• The law will provide TSP participants with more flexible withdrawal options including:
  • Multiple age-based withdrawals for those 59½ or older while in-service
  • Multiple partial post-separation withdrawals
  • Option to select withdrawal from Roth balance only, Traditional balance only or a pro-rata mix of both
  • Elimination of the full withdrawal election requirement once the participant turns 70½ and is separated although IRS Required Minimum Distributions (RMDs) rules will still apply
  • Option to receive installment payments on a monthly (no change), quarterly or annual basis and to stop, start, or make changes at any time
  • Option to elect a partial lump sum withdrawal, purchase an annuity, or request a full lump sum withdrawal while receiving installment payments

Source: TSP Fact Sheet – Questions and Answers about Changes to TSP Withdrawal Options
In-Service and Post-Separation Withdrawal Options (Current Law)

In-Service

• Age-Based (59 ½) Withdrawal
  • Lump sum
  • Limited to one

• Financial Hardship Withdrawal

Post-Separation

• Partial Withdrawal
  • Lump sum
  • Limited to one

• Full Withdrawal
  • Monthly Payments (Dollar amount or based on life expectancy)
  • Life Annuity
  • Single Payment

Source: Withdrawing Your TSP Account After Leaving Federal Service
Withdrawals – Pro-Rata or Choice?

**Current Law – Pro-Rata Only**

- If account has both Traditional and Roth balances,
  - Participant must take withdrawal pro-rata from both

**New Law – Choice**

- If account has both Traditional and Roth balances,
  - Participant may take withdrawal from either balance first or pro-rata from both

Source: TSP Fact Sheet – [Questions and Answers about Changes to TSP Withdrawal Options](#)
In-Service and Post-Separation Withdrawal Options (New Law)

**In-Service**
- Age-Based (59 ½) Withdrawal
  - No more than four times/year
  - No less than 30 days apart
- Financial Hardship Withdrawal
  - No change

**Post-Separation**
- Lump sum
  - No less than 30 days apart
  - No lifetime limit
- Installments (Dollar amount or based on life expectancy)
  - Monthly
  - Quarterly
  - Annually
- Life Annuity

Source: TSP Fact Sheet – [Questions and Answers about Changes to TSP Withdrawal Options](#)
Installment Payments

**Fixed Dollar**
- Amount specified by participant
- Minimum payment $25
- May transfer payments to an IRA or another eligible plan (if payments expected to last less than 10 years)
- May adjust amount of tax withholding (if payments expected to last 10 years or more)
- May change direct deposit information
- May request a final single payment anytime

**Based on Life Expectancy**
- Payments are computed by TSP
- Amount automatically adjusts annually
- May adjust amount of tax withholding
- May make a one-time change to fixed dollar amount
- May request a final single payment anytime

Example: Account balance = $100,000
Request $1,000/month, therefore:
$100,000/$1,000 = 100 months and 100<120, so payments expected to last < 10 years

Source: TSP Tax Notice – [Important Tax Information About Payments From Your TSP Account](#)
Life Annuity

- Income is assured for the life of the annuitant(s)
- Funds are transferred from TSP to the annuity provider, and benefits are “locked in” when the request is processed

<table>
<thead>
<tr>
<th></th>
<th>Single Life</th>
<th>Joint Life with Spouse</th>
<th>Joint Life with Other Survivor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survivor benefit</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>(50% or 100%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level payments</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Increasing payments</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Cash refund</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>10-year certain</td>
<td>✓</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Withdrawing Your TSP Account After Leaving Federal Service, pp. 8 - 12
Required Minimum Distributions

• You must receive your “Required Minimum Distribution” (RMD) for the calendar year in which you turn 70½, but you have until April 1 of the following year to make the withdrawal.

• RMDs are determined using the IRS Uniform Lifetime Table.

• You must continue to receive RMDs from your TSP account each year thereafter so long as you have a remaining balance.

• RMD automatically issued at end of calendar year, if necessary to ensure full amount is withdrawn by December 31st.

• If you are still a Federal employee employed at age 70½, your required withdrawal must begin by April 1 of the year following the year you separate.

Source: TSP Tax Notice – Important Tax Information About Your TSP Withdrawals and Required Minimum Distributions
Life Expectancy Payments and Required Minimum Distributions

### Single Life Table

<table>
<thead>
<tr>
<th>Age</th>
<th>Distribution Period</th>
<th>Approximate Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>25.2</td>
<td>3.97%</td>
</tr>
<tr>
<td>61</td>
<td>24.4</td>
<td>4.10%</td>
</tr>
<tr>
<td>62</td>
<td>23.5</td>
<td>4.26%</td>
</tr>
<tr>
<td>63</td>
<td>22.7</td>
<td>4.41%</td>
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<tr>
<td>64</td>
<td>21.8</td>
<td>4.59%</td>
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<td>65</td>
<td>21</td>
<td>4.76%</td>
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<tr>
<td>66</td>
<td>20.2</td>
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<td>67</td>
<td>19.4</td>
<td>5.15%</td>
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<tr>
<td>68</td>
<td>18.6</td>
<td>5.38%</td>
</tr>
<tr>
<td>69</td>
<td>17.8</td>
<td>5.62%</td>
</tr>
</tbody>
</table>

### Uniform Lifetime Table

<table>
<thead>
<tr>
<th>Age</th>
<th>Distribution Period</th>
<th>Approximate Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>27.4</td>
<td>3.65%</td>
</tr>
<tr>
<td>71</td>
<td>26.5</td>
<td>3.77%</td>
</tr>
<tr>
<td>72</td>
<td>25.6</td>
<td>3.91%</td>
</tr>
<tr>
<td>73</td>
<td>24.7</td>
<td>4.05%</td>
</tr>
<tr>
<td>74</td>
<td>23.8</td>
<td>4.20%</td>
</tr>
<tr>
<td>75</td>
<td>22.9</td>
<td>4.37%</td>
</tr>
<tr>
<td>76</td>
<td>22</td>
<td>4.55%</td>
</tr>
<tr>
<td>77</td>
<td>21.2</td>
<td>4.72%</td>
</tr>
<tr>
<td>78</td>
<td>20.3</td>
<td>4.93%</td>
</tr>
<tr>
<td>79</td>
<td>19.5</td>
<td>5.13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Distribution Period</th>
<th>Approximate Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>18.7</td>
<td>5.35%</td>
</tr>
<tr>
<td>81</td>
<td>17.9</td>
<td>5.59%</td>
</tr>
<tr>
<td>82</td>
<td>17.1</td>
<td>5.85%</td>
</tr>
<tr>
<td>83</td>
<td>16.3</td>
<td>6.13%</td>
</tr>
<tr>
<td>84</td>
<td>15.5</td>
<td>6.45%</td>
</tr>
<tr>
<td>85</td>
<td>14.8</td>
<td>6.76%</td>
</tr>
<tr>
<td>86</td>
<td>14.1</td>
<td>7.09%</td>
</tr>
<tr>
<td>87</td>
<td>13.4</td>
<td>7.46%</td>
</tr>
<tr>
<td>88</td>
<td>12.7</td>
<td>7.87%</td>
</tr>
<tr>
<td>89</td>
<td>12</td>
<td>8.33%</td>
</tr>
</tbody>
</table>

Account Balance $\div$ Distribution Period = % of account balance that must be withdrawn during calendar year

Source: TSP Tax Notice – [Important Tax Information About Your TSP Withdrawals and Required Minimum Distributions](#)
TSP.gov Retirement Income Calculator

Planning & Tools
Learn more about designing your investment plan

Get the most out of your retirement savings by carefully developing a plan for your TSP account.

Investment Strategy
Review a list of questions you should ask yourself before you invest, and find out how to maximize your retirement savings using the benefits of compounding, tax deferral, and account consolidation.
Learn more

Calculators
Use these calculators to help you plan for a comfortable retirement:
- How Much Should I Save? (Ballpark Estimate)
- How Much Will My Savings Grow?
- How Much Can I Contribute?
- Paycheck Estimator
- Contribution Comparison Calculator
- Retirement Income Calculator
- TSP Monthly Payment Calculator
- Estimate Your Retirement

Retirement Planning Phases
It is never too early or too late to take advantage of what the TSP has to offer. Consider how to make your TSP savings work for you through contribution elections, catch-up contributions, and asset allocations throughout your career and as you near retirement.
Learn more

Living in Retirement
Consider how to adjust your asset allocation and determine an effective withdrawal strategy to meet your unique needs during retirement.
Learn more

Source: TSP.gov: Planning and Tools, Calculators
Other Considerations

Withdrawal Rules
# Spouse’s Rights

<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>Requirement*</th>
<th>Exceptions†</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS or Uniformed Services</td>
<td>Notarized spouse signature required**</td>
<td>Whereabouts unknown or exceptional circumstances - TSP-16 or TSP-U-16 required</td>
</tr>
<tr>
<td>CSRS</td>
<td>Spouse is entitled to notification of the participant’s withdrawal election</td>
<td>Whereabouts unknown or exceptional circumstances - TSP-16 required</td>
</tr>
</tbody>
</table>

*If account balance is less than $3,500, spouse’s signature/notice is not required

**If married but no spouse signature: Spouse entitled to Joint Life Annuity with 50% Survivor Benefit, Level Payments, and no cash refund feature

†Waiver of spouse’s signature/notification valid for 90 days from approval

Important Tax Information About Payments From Your TSP Account

Fact Sheet

• Terms and definitions (Eligible Rollover Distributions, Qualified Distributions, Transfer vs. Rollover)
• Proportional (pro-rata) withdrawals
• Transferring or rolling over your TSP distribution
• What we withhold for taxes
• Taxable distributions on loans after separation from service
• 10% Early withdrawal penalty tax
• Required Minimum Distributions
• Death Benefit payment and court-ordered payments
• Tax Treatment for TSP Payments Chart

Source: TSP Tax Notice — Important Tax Information About Payments From Your TSP Account
# Tax Withholdings & Portability

## Type of Payment

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Eligible for transfer or rollover?</th>
<th>Federal income tax withholding rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump sum distributions: Single payments, age-based and partial withdrawals, final withdrawal following a series of monthly payments</td>
<td>Yes</td>
<td>20% (mandatory) unless transferred</td>
</tr>
<tr>
<td>Monthly payments for less than 10 years</td>
<td>Yes</td>
<td>20% (mandatory) unless transferred</td>
</tr>
<tr>
<td>Monthly payments for 10 years or more</td>
<td>No</td>
<td>As if married w/3 (may be changed or waived)</td>
</tr>
<tr>
<td>Monthly Payments based on life expectancy</td>
<td>No</td>
<td>As if married w/3 (may be changed or waived)</td>
</tr>
</tbody>
</table>

Source: TSP Tax Notice – [Important Tax Information About Payments From Your TSP Account](#)
Eligible Rollover Distributions

Source: TSP Tax Notice – Important Tax Information About Payments From Your TSP Account
Exceptions to the IRS Early Withdrawal Penalty

The 10% IRS Early Withdrawal Penalty does not apply to payments that are:

• Received at age 59½ or later
• Received after you separate/retire during or after the year you reach age 55 (or the year you reach age 50 if you are a public safety employee as defined in section 72(t)(10)(B)(ii) of the IRC)
• TSP monthly payments based on life expectancy
• Lifetime annuity payments
• Ordered by a domestic relations order
• Made because of death
• Made from a beneficiary participant account
• Received in a year you have deductible medical expenses that exceed 10% of your adjusted gross income (7.5% if you or your spouse is 65 or over)
• Received as a result of total and permanent disability
• Received by military reservists called to active duty for a period in excess of 179 days and distribution is received between the date of the order or call and the close of the active duty period

Source: IRS.gov: Retirement Topics - Exceptions to Tax on Early Distributions
TSP Death Benefits

Planning Your Legacy
TSP Death Benefits – Beneficiaries

• By default, death benefits are disbursed according to “statutory order of precedence:”
  1) Spouse
  2) Natural and adopted children
  3) Parents
  4) Appointed executor or administrator of your estate
  5) Next of kin

• Alternatively, you may designate beneficiary(ies) on Form TSP-3, Designation of Beneficiary

• Can be: spouse, other individual(s), trust, estate, legal entity/corporation

• Death is reported to the TSP on Form TSP-17, Information Relating to Deceased Participant

• The beneficiary will receive IRS Form 1099-R reporting the distribution

Source: TSP.gov: Plan Participation, Beneficiary Participants, Death Benefits, Beneficiaries
Beneficiaries: Civilian

You do not have a valid Form TSP-3, Designation of Beneficiary, on file. Your account will be distributed according to the statutory order of precedence required by law. ONLY complete Form TSP-3, Designation of Beneficiary, if you want distribution to be made in a way other than the following order of precedence:

1. To your spouse
2. If none, to your child or children equally, with the share due any deceased child divided equally among that child’s descendants
3. If none, to your parents equally or to the surviving parent
4. If none, to the appointed executor or administrator of your estate
5. If none, to your next of kin who would be entitled to your estate under the laws of the state in which you resided at the time of your death

As used here, "child" means either a biological child or a child adopted by the participant. It does not include your stepchild unless you have adopted the child. Nor does it include your biological child if that child has been adopted by someone other than your spouse.

The term "parents" does not include stepparents who have not adopted you.

Source: TSP.gov: My Account, Personal Information, Beneficiaries
Spouse Beneficiaries

- BPA account owner will have same investment and withdrawal options as separated TSP participants
- BPA accounts cannot accept transfers or rollovers from other plans or IRAs
- Interfund transfers follow same rules that apply to all account holders

Source: TSP.gov: Plan Participation, Beneficiary Participants, Your Beneficiary Participant Account
Beneficiary Participant Account Rules

• Spouse may designate beneficiaries using Form TSP-3

• Death benefit payments from a BPA are single (non-periodic) payments to the designated beneficiaries
  • Subject to 10% federal withholding
  • Cannot be transferred or rolled over to an IRA (to include inherited IRA) or eligible employer plan

• Required Minimum Distributions from BPA:
  • Begin date is based on age of the deceased TSP participant
  • Amount is based on age of the beneficiary

Source: TSP.gov: Plan Participation, Beneficiary Participants, Death Benefits, Beneficiaries
## Considerations with BPA Transfers

<table>
<thead>
<tr>
<th></th>
<th>BPA</th>
<th>Other Employer Plan</th>
<th>IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Successor Beneficiaries</strong></td>
<td>Death benefit payments to successor beneficiaries may not be transferred or rolled over</td>
<td>Death benefit payments to successor beneficiaries may be transferred or rolled over</td>
<td>Death benefit payments to successor beneficiaries may be transferred or rolled over</td>
</tr>
<tr>
<td><strong>Early Withdrawal Penalty</strong></td>
<td>No penalty on early distributions</td>
<td>No penalty on distributions after age 59½ * Exceptions exist – see “exceptions slide”</td>
<td>No penalty on distributions after age 59½ * (other exceptions may apply)</td>
</tr>
<tr>
<td><strong>Spousal Rights</strong></td>
<td>Spousal rights not applicable</td>
<td>Spousal rights apply per applicable laws and plan rules</td>
<td>Spousal rights not applicable</td>
</tr>
<tr>
<td><strong>Required Minimum Distributions</strong></td>
<td>Required beginning date based on age of deceased participant &amp; Required payment amount based on spouse’s age</td>
<td>Required beginning date based on when beneficiary turns 70½ or retires, whichever is later</td>
<td>Required beginning date based on when beneficiary turns 70½</td>
</tr>
</tbody>
</table>

Source: *Your TSP Account: A Guide for Beneficiary Participants, p. 2*
### Non-Spouse Beneficiaries

#### Inherited IRAs

- Allows non-spouse beneficiaries to take the IRC Required Minimum Distribution amount based on their age.
- The remaining balance continues to grow.
- Each year the IRC minimum required distribution increases slightly.
- Beneficiaries may want to seek assistance of a tax professional to discuss options.

Source: [Death Benefits – Information for Participants and Beneficiaries](#)
Court Orders and Legal Processes

• Your TSP account can be:
  • Divided in an action for divorce, annulment, or legal separation, or
  • Garnished to satisfy a legal process associated with past-due alimony, child support obligation, IRS tax levy, or victims restitution pursuant to the Mandatory Victims Restitution Act

Source: Court Orders and Powers of Attorney and Internal Revenue Service Tax Levies and Criminal Restitution Orders and Qualifying Legal Process
Resources for Participants

Getting Help
Access Your TSP Account

View account balance

View Annual & Quarterly Statements

Change contribution allocation

Request interfund transfers

Request loans and withdrawals

Create (or change a user ID)

Change or request a Web password
Contacting the TSP

You may also visit TSP.GOV and login to "My Account" to perform many of these transactions and inquiries.

You can also call ThriftLine at 1-877-968-3778.

TSP4gov is the official YouTube channel of the Thrift Savings Plan.

Secure Message Center: Civilian

The answers to many of your questions can be found right here in the Message Center. If you don’t see your question in the list of frequently asked questions, you can search for the answer using our search tool below.

Find an Answer
TSP Publications
Thank you for taking the time to complete this short survey about your recent TSP training event. Your participation in this survey is voluntary but keep in mind the FRTIB (TSP) Education and Outreach Division uses these to improve the learning experience for TSP Participants, Beneficiaries, Agency and Service Representatives.

https://www.surveymonkey.com/r/PMG7M8T

Please consider your answers carefully. This survey will be used to improve our services and provide you with information that is timely, relevant, and informative.
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