



IMPROVING YOUR FINANCIAL WELLNESS BY UNDERSTANDING YOUR TSP

**A WEBINAR FOR EMPLOYEES FROM YOUR
EMPLOYEE ASSISTANCE PROGRAM**

April 13, 2022

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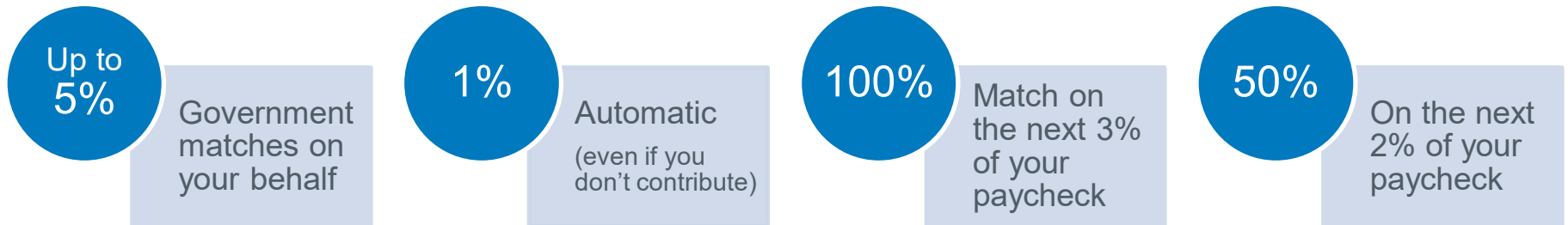
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SECTION 1

TSP BASICS

THRIFT SAVINGS PLAN (TSP): WHAT IT IS AND HOW IT'S FUNDED

- Federal employer-sponsored retirement savings plan
 - Similar to 401(k) plans offered to private sector employees
 - Paid for by the federal government
- Contributions invested in up to five individual funds
- Classified as a qualified retirement plan
 - Involves special tax considerations
 - Contributions are made via automatic paycheck deductions



TSP CONTRIBUTION OPTIONS

Make traditional contributions, Roth contributions, or both

Contribute from your paycheck (up to certain limits)

- 49 years and younger: \$20,500
- 50 years and older: \$27,000
- There are no earnings limits that affect contribution eligibility

Contribute by rolling any of the following into your TSP account:

- Traditional IRA
 - Roth IRAs cannot be rolled into TSP
- Former employer-sponsored plans (401k, 403b, 457, etc.)
 - Traditional and/or Roth

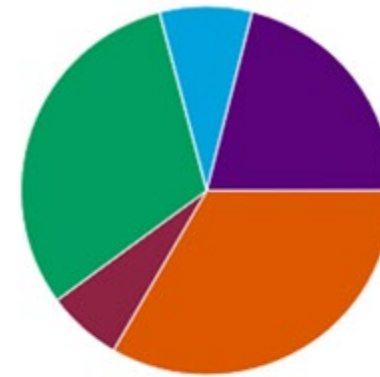
NOTE: Government match goes only into the traditional side, regardless of how your contributions are allocated.

ALLOCATION

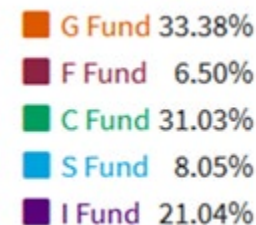
Allocates your monies into different index funds

- C: Common stock
- S: Small stock
- I: International stock
- F: Fixed
- G: Government interest
- L: Life cycle
 - Invested into automatically
 - For individuals who aren't exactly sure how to allocate
 - Funds allocate according to your proximity to retirement

Allocation target



January 2022



Find out more at:

tsp.gov/funds-individual

TAXES

**Your TSP is
Qualified Money!**

From a tax standpoint is very similar to a 401k, 403b, 457, or IRA

Traditional TSP

- Pre-tax dollars
- Penalties before age 59.5
- Required minimum distributions at age 72
- Taxable upon withdrawal and death

Roth TSP

- After-tax dollars
- Required minimum distributions at age 72
 - This is unique to a Roth TSP; all other Roth accounts are not subject to RMDs at age 72
 - Distributions are considered income when determining the taxability of Social Security
- Tax-free upon withdrawal and death

SECTION 2

PRE-RETIREMENT

PRE-RETIREMENT LOAN

Two types of loans: Residential and general purpose

- Residential loans must be for your primary home
- Minimum: \$1,000
- Maximum: 50% of your invested account balance up to \$50,000
- Repayment:
 - 1 – 5 years for general loan
 - 1 – 15 years for residential loan Interest is based on real time rate of the G Fund, currently .0625%
- Must pay back loan within 90 days of any separation of service (including retirement) or it is considered a distribution

PRE-RETIREMENT HARDSHIP WITHDRAWAL

Permanent

Subject to 10%
penalty if under
59.5 years old

Can choose
between traditional
(taxable) and Roth

Requires spousal
consent

Must have a
financial need
Negative cash flow,
medical, legal, etc.

No contributions to
TSP and no
agency matching
for 6 months

PRE-RETIREMENT AGE-BASED IN-SERVICE DISTRIBUTIONS

Must be
59.5 years old

Can take up to four
per year while
employed

Must withhold 20%
taxes on traditional
balance unless it is
rolled over into
another account

Can roll money into
a self-directed
traditional or Roth
IRA

Can decide between
traditional or Roth
balance

SECTION 3

POST-RETIREMENT OR SEPARATION OF SERVICE

RETIREMENT OR SEPARATION OF SERVICE

Payout Option 1: Installment payout

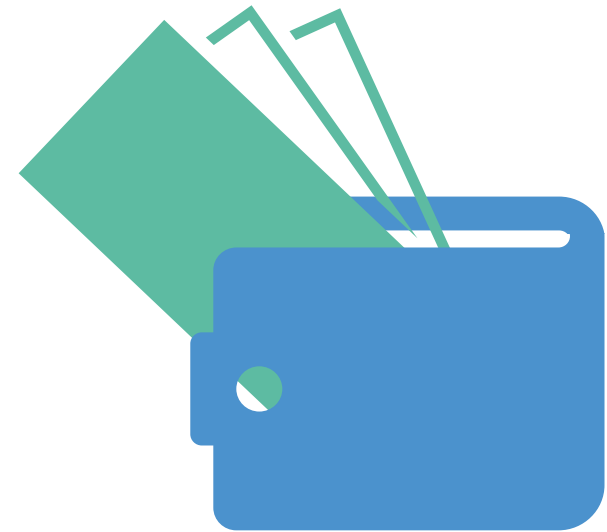
- Monthly, quarterly, or annually
- Fixed dollar amount *or* based on life expectancy
 - Life expectancy payout changes annually based on amount and IRS tables
- Payouts continue until stopped or until there's no more money
- Choose between traditional or Roth balances
- Must withhold 20% of taxes if payout is less than 10 years (cannot be waived)
- Taxes are withheld as if you are married with three dependents if payout is more than 10 years (unless waived)



RETIREMENT OR SEPARATION OF SERVICE

Payout Option 2: Single or lump sum payout

- Once every 30 days
- Must be at least \$1,000
- Mandatory 20% withheld
- No limit to the number of withdrawals, however, can only choose every 30 days



RETIREMENT OR SEPARATION OF SERVICE

Payout Option 3: Annuity payout

- Can be a portion of your TSP

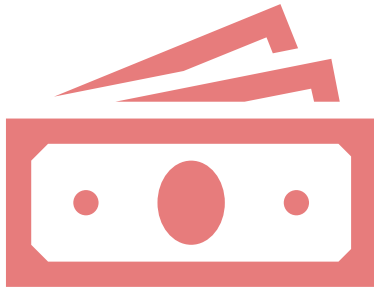
Single Life		Joint Life with Spouse*		Joint Life with Other Survivor
Level Payments	Increasing Payments	Level Payments	Increasing Payments	Level Payments
with no additional features	with no additional features	100% survivor annuity	100% survivor annuity	100% survivor annuity**
or	or	or	or	or
with cash refund feature	with cash refund feature	50% survivor annuity	50% survivor annuity	50% survivor annuity
or	or	or	or	or
with 10-year certain feature	with 10-year certain feature	100% survivor annuity with cash refund	100% survivor annuity with cash refund	100% survivor annuity with cash refund**
		or	or	or
		50% survivor annuity with cash refund	50% survivor annuity with cash refund	50% survivor annuity with cash refund

* A married FERS or uniformed services participant must obtain his or her spouse's waiver of the spouse's TSP survivor annuity benefit if an option is chosen other than joint life with spouse, with level payments and 50% survivor annuity.

** Available if joint annuitant is not more than 10 years younger than the participant.

RETIREMENT OR SEPARATION OF SERVICE

Rollover / Direct Transfer



Payments based on lifetime cannot be rolled into your IRA



Not a taxable event, so no tax withheld

ESTATE PLANNING: BENEFICIARY TSP

Spouse:

- Receives the Beneficiary Participant TSP account
 - Little difference from the Primary Participant TSP account
- Can move into their own TSP or convert to a self-directed IRA
- Can keep it as a Beneficiary TSP account
 - More access if under 59.5 – but sooner RMD if spouse is older

Non-spouse:

- TSP becomes inherited and subject to RMD rules
- Has 10 years to remove the money from TSP



WHAT'S IMPORTANT TO YOU?



It is very important to **write down your goals** and put them where you can read them every day!

Taxes: Do you want to pay more or less?

Consider conversions and tax-free estate planning

Fees: Do you want to pay more or less?

TSP forces index investments

Estate Planning: Do you want to leave a legacy?

Consider how your heirs will be taxed

Emergency Funds: What is your long-term care plan?

Leverage your assets that are not creating income

Rate of Return: Is squeezing out the extra 1% worth the risk?

The one thing you can't control

TSP SUMMARIZED



- **Funding**
 - Existing IRAs and employer-sponsored plans
 - Bi-weekly payments from your check
- **Allocation**
 - Investment in indices funds
- **Withdrawal**
 - Loan yourself money and pay yourself back in interest
 - Take installments, a lump sum, or an annuity upon retirement or separation
- **Tax and Estate Planning**
 - Roth or traditional TSP
 - Create a long-term tax plan to determine what is best for you

RESOURCES

Websites

- The Institute for Financial Education
 - ifeonline.org | myife.org
- Thrift Savings Plan
 - tsp.gov
- AARP
 - aarp.org
- Administration for Community Living
 - acl.gov
- Investors Business Daily
 - investors.com
- National Institutes of Health
 - hr.nih.gov/benefits/retirement
 - nia.nih.gov
- Pension Benefit Guaranty Corp
 - pbgc.gov

Online Calculators

- CNN and Money Magazine Retirement Calculator
 - cgi.money.cnn.com/tools
- Smart Money IRA Calculator
 - smartmoney.com/retirement/roth/index.cfm?story=whichira
- Smart Money 401K Planner
 - smartmoney.com/retirement/401K/index.cfm?story=planner

Podcast

- Suze Orman's Women & Money Podcast
 - suzeorman.com/podcast

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