



YOUR WELL-BEING AND THEIRS: SET UP YOUR TSP TO BENEFIT YOU AND YOUR HEIRS

A WEBINAR FOR EMPLOYEES FROM YOUR EMPLOYEE ASSISTANCE PROGRAM

October 11, 2023

DISCLAIMER

This is an educational workshop presented by the Institute for Financial Education (IFE). **The following presentation does not, in any way, advocate for, offer advice on, or make any recommendations about the stock market or any related investments, securities, or insurance.** The financial and investment products, services, and advice presented today are not endorsed by IFE or the presenter; any action taken by the consumer is solely at their own discretion.

Financial decisions are important. Individuals are encouraged to seek advice from licensed professionals for actionable recommendations.

Please consult with an advisor who is specifically licensed in the jurisdiction where you reside prior to taking any action relating to investments, insurance, taxes, legal matters, real estate, or any other financial instruments. IFE is not directly affiliated with and is not owned in part or in whole by any private corporation, organization, or association. The material contained herein should not be construed by any audience as anything other than general educational information available to the public.

OBJECTIVES

- Understand the basics of the Thrift Savings Plan (TSP)
- Examine your contribution options
- Review rules for taking a pre-retirement loan, hardship withdrawal, or age-based in-service distribution
- Discuss payout options post-retirement or after separation of service
- Explore your intentions with your estate and your heirs

SECTION 1

TSP BASICS

TSP DEFINED



Federal employer-sponsored retirement savings plan

Similar to 401(k) plans offered to private sector employees

Paid for by the federal government



Classified as a qualified retirement plan

Involves special tax considerations

HOW TSP IS FUNDED

Contributions:

- Made via automatic paycheck deductions

Up to
5%

Government
matches on
your behalf

1%

Automatic
(even if you
don't contribute)

- Invested in up to five individual funds or moved incrementally into a separate investment account (mutual fund window)

100%

Match on
the next 3%
of your
paycheck

50%

On the next
2% of your
paycheck

TSP CONTRIBUTION OPTIONS

Make traditional contributions, Roth contributions, or both

Contribute from your paycheck (up to certain limits)

- 49 years and younger: \$22,500
- 50 years and older: \$30,000
- 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

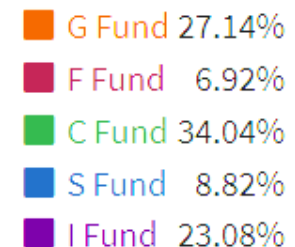
Allocates your monies into different index funds

- C: Common stock (S&P 500)
- S: Small stock (Dow Jones Total Stock Index)
- I: International stock (EAFE Index)
- F: Fixed (Bloomberg U.S. Bond Index)
- 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



July 2023



Find out more at:
tsp.gov/funds-individual

TSP MUTUAL FUND WINDOW

- Option to transfer money from your TSP account and open a separate investment account provided by the government's mutual fund window vendor
 - Buy, sell, and exchange any available mutual funds
- Requirements
 - Initial transfer must be \$10,000 or more but CANNOT be more than 25% of your TSP
 - Must have at least \$40,000 in your TSP account
- Fees
 - \$55 Admin fee
 - \$95 Maintenance fee
 - \$28.75 Per-trade fee
 - Specific mutual fund fees (vary per fund)

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
- Required minimum distributions at age 73
- Penalties before age 59.5
- Taxable upon withdrawal and death

Roth TSP

- After-tax dollars
 - Tax-free upon withdrawal and death
- Required minimum distributions at age 73 is eliminated in 2024

SECTION 2

PRE-RETIREMENT

PRE-RETIREMENT LOAN

Two types of loans:

1. Residential
2. General purpose

Residential loans must be for your **primary** home

Minimum: \$1,000

Maximum: 50% of invested account balance, up to \$50k

Repayment

- 1-5 years for a general loan
- 1-15 years for a residential loan; interest based on the real-time rate of the G Fund, currently 4.75% as of October 2023

Delinquent loans are considered distributions

- Potentially subject to early withdrawal penalty tax

After separation

(retiring/working outside the government):

- Keep loan active with a monthly payment schedule
- Pay off loan in full
- Allow loan to be foreclosed

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.

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
- Can be rolled over into a self-directed account



RETIREMENT OR SEPARATION OF SERVICE

Payout Option 3: Annuity payout

- Can be a portion of your TSP
- Cannot be changed once purchased

Summary of Annuity Options and Features

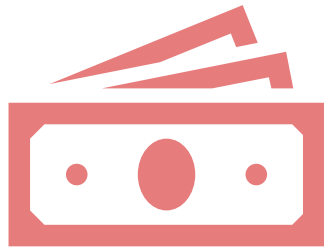
Single Life		Joint Life with Spouse*		Joint Life with Other Survivor
Level Payments	Increasing Payments	Level Payments	Increasing Payments	Level Payments
with no additional features	with no additional features	100% survivor annuity	100% survivor annuity	100% survivor annuity**
or	or	or	or	or
with cash 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

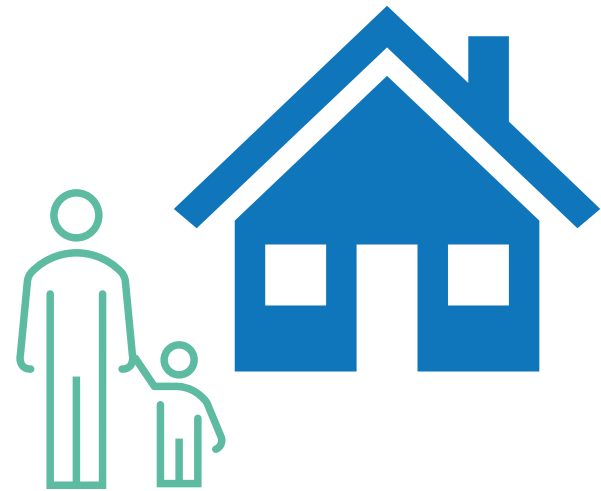
ESTATE PLANNING: BENEFICIARY TSP

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
- If a beneficiary participant dies, the new beneficiary cannot continue to maintain the TSP or rollover into an IRA - must be cashed out

Non-spouse:

- Cannot retain the TSP account and must be moved into an “inherited IRA” within 90 days



WHAT IS YOUR INTENTION?



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

Thrift Savings Plan

- **Loans**
 - [tsp.gov/publications/tspbk04.pdf](https://www.tsp.gov/publications/tspbk04.pdf)
- **In-Service Withdrawals**
 - [tsp.gov/publications/tspbk12.pdf](https://www.tsp.gov/publications/tspbk12.pdf)
- **Distributions**
 - [tsp.gov/publications/tspbk25.pdf](https://www.tsp.gov/publications/tspbk25.pdf)
- **Tax Payments**
 - [tsp.gov/publications/tspbk26.pdf](https://www.tsp.gov/publications/tspbk26.pdf)
- **Beneficiary Guide**
 - [tsp.gov/publications/tspbk33.pdf](https://www.tsp.gov/publications/tspbk33.pdf)
- **Investing Strategies**
 - [tsp.gov/investing-strategies](https://www.tsp.gov/investing-strategies)

Online Calculator

- CNN Business Retirement Calculator
 - [cnn.com/business/calculators/retirement-calculator](https://www.cnn.com/business/calculators/retirement-calculator)

Websites

- The Institute for Financial Education
 - ifeonline.org | ifeonline.org/foh
- Office of Personnel Management
 - opm.gov/retirement-center
- Pension Benefit Guaranty Corp
 - pbgc.gov
- U.S. Securities & Exchange Commission
 - investor.gov

Podcasts

- Suze Orman's Women & Money Podcast
 - suzeorman.com/podcast
- So Money with Farnoosh Torabi
 - podcast.farnoosh.tv/all-episodes

THANK YOU



Behavioral Health Services Employee Assistance and WorkLife Programs

24 HOURS A DAY

800-222-0364

foh4you.com



CERTIFICATE OF WEBINAR PARTICIPATION

is hereby granted to



for the completion of the following one-hour presentation offered by your Employee Assistance Program

YOUR WELL-BEING AND THEIRS: SET UP YOUR TSP TO BENEFIT YOU AND YOUR HEIRS

Date:

