Thrift Savings Plan

Which Direction is Best for You?

American Benefits Exchange

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What is the Thrift Savings Plan* ?

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for Federal employees. Congress established the TSP in the Federal Employees' Retirement System Act of 1986. The purpose of the TSP is to provide retirement income. The TSP offers Federal employees the same type of savings and tax benefits that many private corporations offer their employees under "401(k)" plans. (On October 30, 2000, the Floyd D. Spence National Defense Authorization Act was signed; it extends participation in the TSP to members of the uniformed services, including the Ready Reserve.)

In the civilian component of the TSP, employees covered by the Federal Employees' Retirement System (FERS) and the Civil Service Retirement System (CSRS) can contribute to the TSP. The participation rules are different for FERS and CSRS employees.

The TSP is a defined contribution plan. The retirement income that you receive from your TSP account will depend on how much you (and your agency, if you are a FERS employee) have contributed to your account during your working years and the earnings on those contributions.

The contributions that you make to your TSP account are voluntary and are separate from your contributions to your FERS Basic Annuity or CSRS annuity.

*For further information regarding the Thrift Savings Plan, please visit http://www.TSP.gov.

What are the major features of the TSP?[1]

FERS Participants — You may elect to contribute any dollar amount or percentage (1 to 100) of your basic pay. However, your annual dollar total cannot exceed the Internal Revenue Code limit, which as of 2019 is $19,000. Once you are eligible, you will receive:

- Agency Automatic (1%) Contribution
- Agency Matching Contributions
- Immediate vesting in Agency Matching Contributions and vesting — generally in 3 years — in Agency Automatic (1%) Contributions
- Plus a catchup contribution limit of $6,000 for those over 50 years of age.

CSRS Participants — You may elect to contribute any dollar amount or percentage of basic pay. However, your annual dollar total cannot exceed the Internal Revenue Code limit, which as of 2019 is $19,000. You do not receive any agency contributions. Plus a catchup contribution limit of $6,000 for those over 50 years of age.

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1 - http://www.opm.gov 2018

All Participants — The TSP offers the following:*

- Immediate employee contributions
- Before-tax savings and tax-deferred investment earnings (Traditional only)
- Tax free interest (only applies to Roth contributions)
- Daily valuation of accounts
- Low administrative and investment expenses
- Transfers or rollovers of eligible distributions into the TSP
- A choice of investment funds:
  - Government Securities Investment (G) Fund
  - Fixed Income Index Investment (F) Fund
  - Common Stock Index Investment (C) Fund
  - Small Capitalization Stock Index Investment (S) Fund
  - International Stock Index Investment (I) Fund
  - Lifecycle (L) Funds
- Ability to make contribution allocations daily
- Ability to make interfund transfers daily
- Loans from your own contributions and attributable earnings while you are in Federal service
- Catch-up contributions for participants age 50 or older
- In-service withdrawals for financial hardship or after you reach age 59½
- Portable benefits and a choice of withdrawal options after you separate from Federal service
- Ability to designate beneficiaries for your account balance
- Protection of spouses' rights for loans and withdrawals and recognition of qualifying court orders
- A Web site with general account information, capability for requesting interfund transfers and contribution allocations, the option of initiating (and in some cases completing) loan and withdrawal requests on-line, up-to-date TSP materials and information, on-line participant statements, and calculators to estimate account growth, loan payments, monthly payments and annuity amounts, as well as an elective deferral calculator. (Separated employees can also update their address information on the Web.)
- An automated telephone service (the ThriftLine) for account information and certain transactions

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How the TSP Modernization Act Affects Me?

If you were not aware, the TSP Modernization Act (PL 115-84) was passed and signed into law on November 17, 2017. The goal is to make it easier for participants in the Thrift Savings Plan to manage and have access to their investments. When the new withdrawal policies go into effect, you will have more options for how and when you can access money from your TSP account. These options fall into the following categories:

- Multiple age-based (for those 59½ or older) in-service and post-separation partial withdrawals will be allowed – Currently you are limited to one partial withdrawal, either age-based in-service or partial post separation withdrawal. Under the new law you will…

  - Be able to take up to four age-based in-service withdrawals per calendar year

  - No longer be limited regarding partial withdrawals in retirement. Age-based in-service withdrawals will no longer prohibit you from taking a partial withdrawal in retirement.

  - Be able to take partial withdrawals while receiving retirement installment payments

- You'll be able to choose whether your withdrawal should come from your Roth balance, your traditional balance, or a proportional mix of both.

- You will no longer be required to make a full withdrawal election after you turn 70½ and are separated. (You will still need to receive IRS-required minimum distributions (RMDs))

- If you're a separated participant, in addition to the option of monthly payments, you'll be able to choose quarterly or annual payments, and you'll be able stop, start, or make changes to your installment payments at any time – Currently changes to the installment payment amount can only be done once per year during open enrollment. Under the new law you will be able to change the amount and frequency of your installment payments (and change from life-expectancy to a dollar amount) at any time during the year. You will also have the ability to stop the monthly payments entirely without having to withdraw/transfer your remaining account balance.

What are my Options upon Retirement?

When your service ends, you'll have three primary choices for your TSP.

- **Withdraw it.** For most people, this is a counterproductive option. If you withdraw your money and deposit it in your checking account, you'll face taxes --- and possibly a penalty tax --- if you're under 59½ years old. There is a penalty tax exception for participants in the TSP who are age 55 in the year they separate from service. Most people are better off letting their money continue to grow.

- **Leave it in the TSP**. While the government will let you keep your TSP account, you won't be able to add any more money to it. If you don't withdraw the full balance by age 70½, the government automatically converts your entire balance into a lifetime income annuity. There is also an option of purchasing a TSP annuity.

- **Take it with you**. To obtain flexibility while preserving important tax benefits, you can complete a tax-free transfer --- called a rollover --- to a traditional or Roth Individual Retirement Account (IRA)

The Thrift Savings Plan Rollover Option provides choices.
Rolling your TSP assets into a Traditional Fixed IRA offers you several advantages:[1,2,3]

- **Provides Security**– Annuities offer the ability to create a stream of Income that you can never outlive.
- **Provides Flexibility** – Annuities offer an array of Interest crediting strategies, income options, and withdrawal options.
- **Provides Guarantees**[4] – Annuities allow the ability to preserve your principal even in a down market.
- **Provides Growth Potential** – Annuities offer a variety of Interest earning strategies while also growing tax deferred.
- **Provides Income** – Annuities typically offer the annuitant a variety of Income options which may include lifetime withdrawals, immediate access or a combination of both.

1. There is no additional tax deferral benefit dereived from placing IRA or other tax-qualified funds into an annuity. Features other than tax deferral should be considered in the purchase of a qualified annuity.
2. No loan option remains if funds are transferred out of TSP.
3. Withdrawals from an annuity may be subject to surrender charges and ordinary income tax.
4. Guarantees are based on the claims-paying ability of the insurance company.

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