



**An Introduction to
Thrift Savings Plan
Webinar**

Presented by the

Federal Retirement Thrift Investment Board

77 K Street, NE * Washington, D.C. 20002 * www.tsp.gov



Agenda

- Make Wise Decisions Today; Retire With Dignity Tomorrow
- Saving for Retirement: Your TSP Contributions
- TSP Tips & Resources



Make Wise Decisions Today

**RETIRE WITH DIGNITY
TOMORROW**

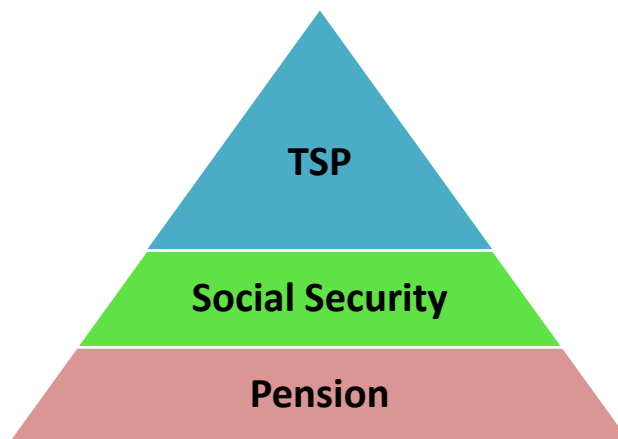


What will your retirement look like?

- In retirement, the Thrift Savings Plan supplements fixed (formula-based) income sources
 - Social Security
 - Defined benefit plans, e.g., CSRS/FERS annuity, military pension
- TSP account balance at retirement depends on:
 - How long contributions are made
 - How much has been contributed or withdrawn
 - Earnings on contributions
 - Plan expense ratio/fees



Components of Retirement Income





Retirement Plan Designs


- **Defined Benefit (Pension) Plan**
 - Provides retirement income based on a pre-determined formula
 - Employer makes investment decisions & bears the risks
- **Defined Contribution Plan**
 - Self-directed investment plan
 - Employee makes investment decisions & bears the risks



Annuity (Pension) Comparison

CSRS	FERS	Uniformed Services
Approx. 2% per year of service*	1% per year of service*	2.5% per year of service*
John Smith - GS-13 30 years of service High 3 = \$100,000	Mary Smith - GS-13 30 years of service High 3 = \$100,000	Tony Smith – E-9 30 years of service High 3 = \$77,000
Annuity Calculation $56.25\% \times \$100,000 = \$56,250$	Annuity Calculation $33\% \times \$100,000 = \$33,000$	Annuity Calculation $75\% \times \$77,000 = \$57,750$

*May vary depending on exact circumstances



Calculators

- 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 Loan Payments](#)


How Much Should I Save? (Ballpark Estimate)

The TSP is one source of your retirement income. Other major sources of retirement income include your FERS Basic Annuity or CSRS annuity (or your retired pay if you are a member of the uniformed services), Social Security benefits, individual retirement accounts (IRAs), and other savings. To find out how much you need to save for retirement, link to the Federal Government Employees Ballpark Estimate calculator below. The calculator was developed by the American Savings Education Council to calculate how much you need to save each year from now until retirement based on your estimates of retirement income and existing savings.

In-depth Retirement Planning
 The Ballpark Estimate calculator is just the first step in retirement planning. For more in-depth planning, you may want to consult a financial advisor or your agency's or service's retirement or benefits counselor, visit the Office of Personnel Management website at www.opm.gov, read books and articles on retirement planning, or use more detailed software to test a variety of assumptions for estimated benefits, expenses, and rates of return.

What You Need for the Ballpark Estimate Calculator	Where to Find Information
1 Estimate of annual income from FERS Basic Annuity or CSRS annuity.	Contact your agency or service personnel office to find out how to estimate your annual income from your FERS or CSRS annuity.
2 Social Security benefit estimate, if applicable	Request a Personal Earnings and Benefit Estimate Statement (PEBES) from the Social Security Administration (SSA) website. The SSA will mail the PEBES to you.
3 Current savings balances	Access your most recent account balance in My Account , or you can call the ThriftLine . Include savings from other retirement investment accounts, as well.

[Go to Ballpark Estimate Calculator](#)



TSP Benefits

- Automatic Enrollment for new/reenrolled participants
- Contributions made by payroll deduction
 - “Pay yourself first”
- Choice of tax treatments
 - Traditional (tax-deferred) contributions
 - Roth (after tax) contributions
- Simple, diversified investment choices
 - “Do it yourself”
 - Professionally designed portfolios
- Low administrative expenses



Factors that affect TSP balance

✓ Helpful

- FERS: contribute enough to get full agency match
 - Contribute five percent to get maximum agency match of four percent
 - Dollar for dollar on first three percent
 - Fifty cents per dollar for next two 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:
 - Review account performance and long-term strategy
 - Rebalance and reallocate based on review
 - Or, choose a Lifecycle Fund – rebalancing and reallocations occur automatically



Factors that affect TSP balance

✗ Harmful

- Frequent Interfund Transfers
 - Short-term, tactical moves using index funds is an unsuccessful long-term investment strategy
- Using TSP to access savings that should have been put into another type of account
 - Loans
 - Temporary depletion
 - Financial Hardship In-Service Withdrawals
 - Permanent depletion



Saving for Retirement YOUR TSP CONTRIBUTIONS

Planning & Tools

tsp.gov

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 Loan Payments](#)

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](#)



TSP Financial Calculator

How Much Will My Savings Grow - FERS

How Much Will My Savings Grow?



* indicates required fields

Retirement System: **FERS**

Select Your Type(s) of Growth

This calculator will show you the growth of your current account balance, growth of future contributions from your paycheck, or both. **You must select a growth model:**

* Existing Account Balance Future Contributions Both

Existing Account Balance

* Enter the amount you already have in your TSP account: \$.00

Future Contributions

i If you are a FERS employee, you may begin contributing to the TSP (through payroll contributions) as soon as you are hired. You are also eligible to receive Agency Automatic (1%) and Matching Contributions. Note: Newly hired or rehired FERS employees are automatically enrolled to contribute 3% of basic pay unless they elect otherwise. For more information on eligibility for agency contributions, see [Types of Contributions](#) under Plan Participation.

* Enter the number of years you plan to contribute: years

* Annual Pay: \$.00

* Pay Schedule:

* Enter the whole percentage of annual pay that you would like to save: %

Enter the percentage of your expected annual pay increase: %

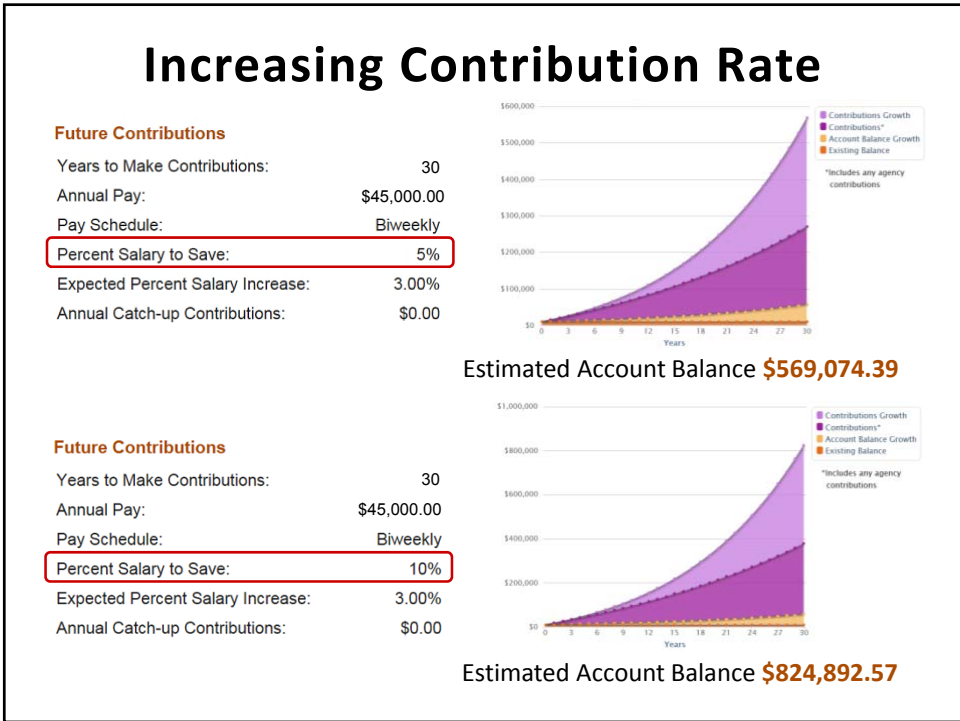
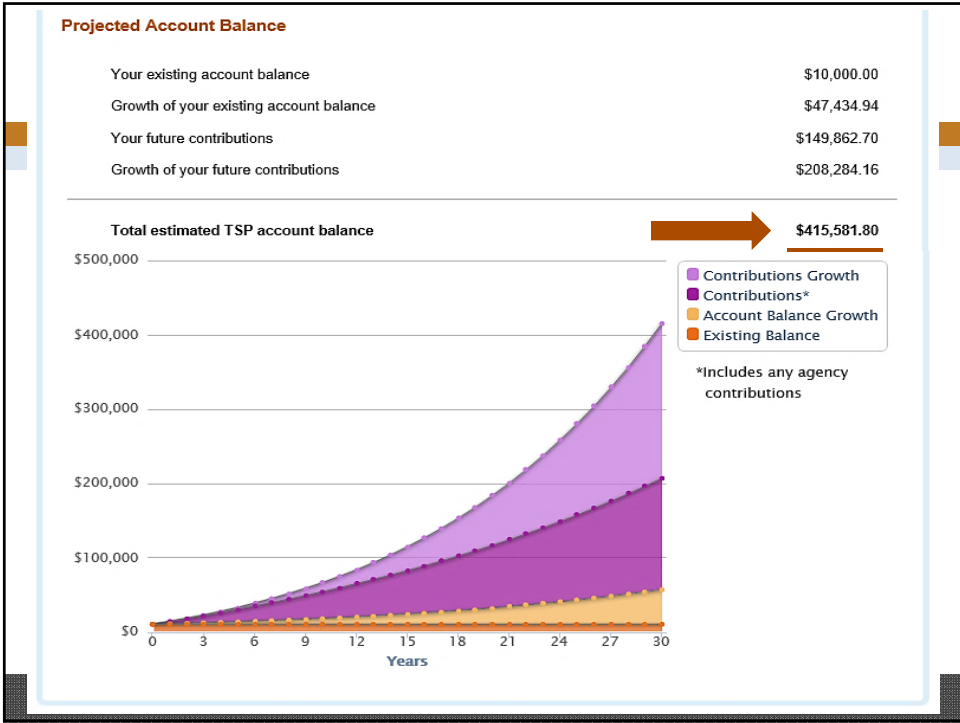
Enter the dollar amount that you plan to contribute each year in catch-up contributions: \$.00

i Catch-up contributions are traditional and/or Roth contributions that are made by a participant age 50 or older. You must first exceed the elective deferral limit (\$18,000.00 in 2016) to make catch-up contributions.

Account Growth

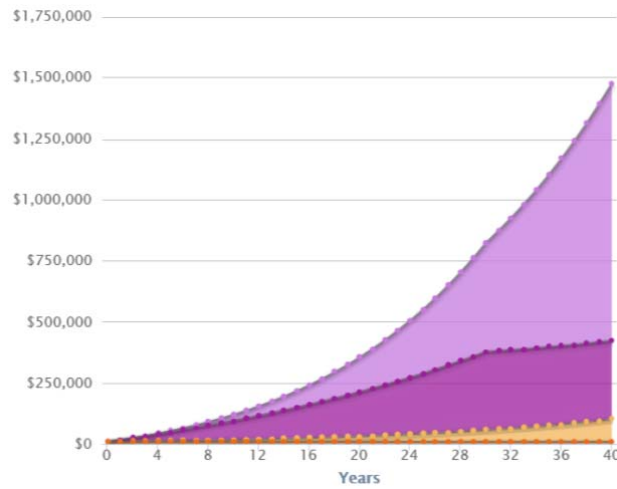
* Enter the number of years left until you begin withdrawing from your TSP account: years

* Expected Annual Return: % View the [Summary of Returns](#). Past performance is not a guarantee or a predictor of future returns.





The Power of Time



Number of Years Until You Start Withdrawing: 40

Expected Annual Return: 6.00%

Estimated Account Balance **\$1,477,257**



What will I pay?

TSP



\$0.29 per \$1,000¹

401(k) Plans



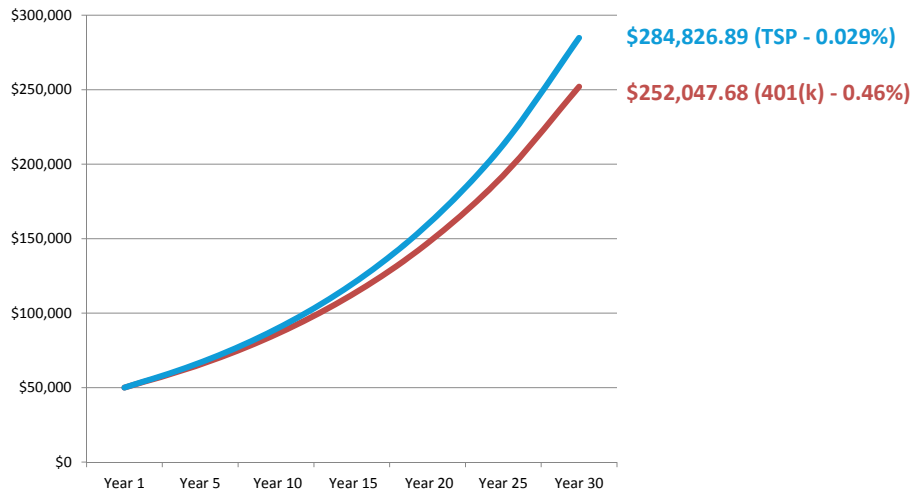
\$4.60 per \$1,000²

¹ Net administrative expenses charged to the TSP participant across all funds, 2015

² Median estimated 401(k) plan fees. Source: *NEPC 2015 Defined Contribution Plan & Fee Survey: What a Difference a Decade Makes*, 2015



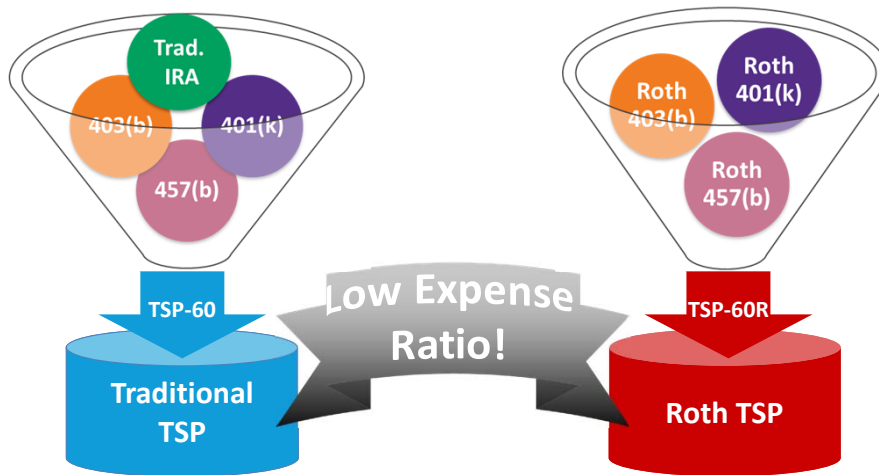
How do these costs affect account growth?



(Assumes a starting balance of \$50,000 and a 6% annual rate of return)



Transfers and Rollovers



Note: Cannot transfer/rollover Roth, Education and Inherited IRA into the TSP



Transfers and Rollovers

- Transfer (*direct rollover*)
 - Money moves directly from one account or retirement plan to the other
 - Participant does not have use of the money
- Rollover (*60-day* or *indirect rollover*)
 - Participant has use of the money for 60-days
 - May result in taxes, withholdings, and/or penalties if not properly executed

See instructions on Forms TSP-60 and/or TSP-60-R for more information

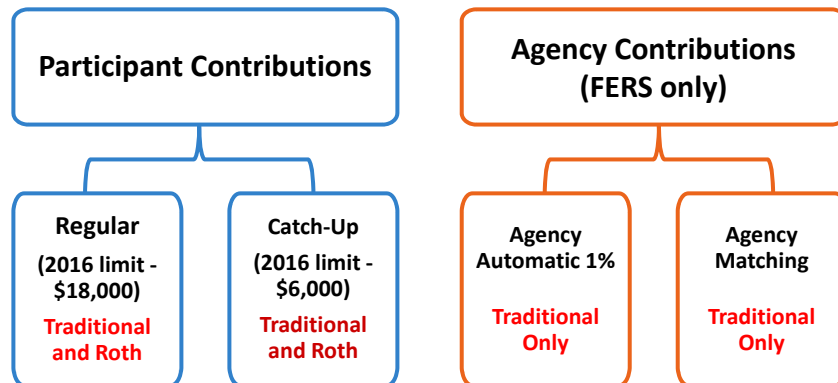


Contribution Elections

- You can start, stop, change, or resume contributions at any time
 - Elections must be submitted to your agency - TSP cannot process elections to deduct from pay
 - Elections can be expressed in dollars or percentages; traditional and/or Roth
- Electronic submissions are preferred (e.g., myPay, Employee Personal Page, LiteBlue, Best, EBIS, Employee Express, etc.) Form [TSP-1](#)/ TSP-U-1 may also be used
- Elections are effective the first full pay period after receipt by the agency
- Catch-up contributions require a separate TSP election



Contribution Sources & Limits



FERS Contributions

Employee Contributions

- All new and rehired employees auto-enrolled at 3% (opt out option)
- Any whole dollar amount or percentage up to IRS elective deferral limit (\$18,000 for 2016)
- Always vested

Agency Contributions*

- Always Traditional
- Agency Automatic (1%) Contributions
 - Subject to vesting
 - Not based on Employee Contributions
- Agency Matching Contributions*
 - Based on first 5% of Employee Contributions per pay period, whether traditional or Roth
 - 4% Maximum
 - \$1/\$1 for first 3%
 - 50¢/\$1 for next 2%
 - Always vested

*NOTE: CSRS not eligible for Agency Automatic or Agency Matching Contributions



Maximizing Your Match

- Ed earns \$3,000 per pay period and contributes 30%
- Susan earns \$3,000 per pay period and contributes \$693

	ED		
	30% EC	4% Match	
PC #1	\$900	\$120	
PC #2	\$900	\$120	
PC #3	\$900	\$120	
PC #4	\$900	\$120	
.....			
PC #16	\$900	\$120	
PC #17	\$900	\$120	
PC #18	\$900	\$120	
PC #19	\$900	\$120	
PC #20	\$900	\$120	
.....			
Total PC #20	\$18,000	\$2,400	

	SUSAN		
	\$693 EC	4% Matching	
PC #1	\$693	\$120	
PC #2	\$693	\$120	
PC #3	\$693	\$120	
PC #4	\$693	\$120	
.....			
PC #16	\$693	\$120	
PC #17	\$693	\$120	
PC #18	\$693	\$120	
PC #19	\$693	\$120	
PC #20	\$693	\$120	
.....			
Total PC #20	\$13,860	\$2,400	
PC #25	\$693	\$120	
PC #26	\$675	\$120	
Total PC #26	\$18,000	\$3,120	



Uniformed Services Contribution Rules

- Contribute 1% to 100% of basic pay
 - Plus any percentage from incentive, special, and bonus pay
- Contributions are subject to the Internal Revenue Code annual limitations
 - elective deferral, § 402(g), limit (\$18,000 for 2016)
 - annual additions, § 415(c), limit (\$53,000 for 2016)
- Contributions deducted from Combat Zone Tax Exempt (CZTE) pay are subject to section 415(c) limits but not 402(g)



Annual Additions Limit

- Includes:
 - tax-deferred and tax-exempt TSP contributions
 - agency/service matching contributions
 - agency automatic (1%) contributions
- Does not include catch-up contributions
- Maximum contribution for officers in a combat zone is \$7,997.10 per month (basic pay of the most senior enlisted member) plus \$225 hostile fire/imminent danger pay*

*<http://www.dfas.mil>

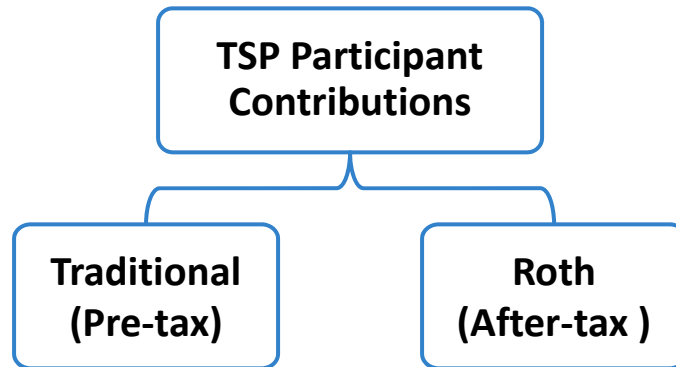


Catch-Up Contributions

- Participants turning age 50 or older in the calendar year can make Catch-Up Contributions
 - 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 2016 is \$6,000
 - Must self-certify intent to make regular contributions up to the elective deferral limit
- No agency matching on Catch-up contributions



A Choice of Tax Treatments



Traditional TSP

- Traditional pre-tax contributions are taken out of income before it is taxed
- This lowers current taxable income and gives a tax break today
- This money grows tax-deferred; when withdrawn BOTH contributions and earnings are taxable
- Agency Automatic (1%) and Agency Matching contributions will always be traditional



Effects of Traditional Contributions

- Elective deferrals reduce current year AGI, so they may also:
 - Create or enhance eligibility for the Saver's Credit
 - Increase certain itemized deductions
 - Allow high-income taxpayers to make Roth IRA contributions in addition to TSP
- Distributions of tax-deferred contributions and earnings will be taxed as ordinary income when received, so they may:
 - Be taxed at lower rates, if income is lower
 - Be taxed at higher rates, if tax rates increase
- Tax-deferred balances are also subject to:
 - Required minimum distribution rules
 - Ordinary Income taxes when paid to beneficiaries



Roth TSP

- Implemented May 7, 2012 (or as soon as possible thereafter by the agency or service)
- Roth (after-tax) contributions are taken out of participant's paycheck after income is taxed
- Participants must elect to make Roth TSP contributions (Contributions for auto-enrolled participants default to traditional)
- Roth designation is made at agency payroll level prior to contribution deposited into the TSP
- No conversions of existing traditional TSP balance to Roth TSP



Effects of Roth Contributions

- Roth contributions do not reduce current year AGI
 - May exclude some participants from Saver's Tax Credit
- Electing Roth may cause high earners to lose other tax-saving opportunities
 - Certain itemized deductions are reduced by a percentage of AGI - higher AGI results in smaller deductions
 - Eligibility for Roth IRA contributions is phased out at higher income levels
- Provide a "hedge" against higher future tax rates



Roth TSP – Distributions

- Qualified Distributions
 - 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
- Nonqualified distributions
 - Earnings subject to tax
 - 10% early withdrawal penalty rules are applied to earnings in the same manner as the tax-deferred portion of a participant's TSP account

Note: portion of the balance that is tax-deferred is not subject to the 10 percent early withdrawal penalty tax if the participant is age 55 or older in the year he/she separates from Federal service.



Roth TSP vs Roth IRA

	Roth Employer Plans (e.g., Roth TSP)	Roth IRA
2016 Income Limits	Available to all participants regardless of income	Not available to taxpayers with income above certain limits: MFJ - \$184,000 to \$194,000 MFS - \$0 to \$10,000 All others - \$117,000 to \$132,000
2016 Contribution Limits	\$18,000 (plus an additional \$6,000 if turning age 50 or older)	\$5,500 (\$6,500 if turning age 50 or older)
Required Minimum Distributions	RMDs apply	Not subject to RMDs until the IRA owner dies
Rollover Rules	Can be rolled into another Roth employer plan OR a Roth IRA	May NOT be rolled into Roth TSP or a Roth employer plan; a Roth IRA can only be rolled into another Roth IRA



Traditional vs. Roth

	Traditional TSP (Default)	Roth TSP (By election)
Contributions	Pre-tax/ Tax-Deferred*	After-tax*
Paycheck	Contributions are deducted from pay <i>before</i> Federal taxes are withheld†	<ul style="list-style-type: none"> Contributions are deducted from pay <i>after</i> Federal taxes are withheld† Contributions do not reduce current year AGI†
Distributions	Contributions and earnings are taxable as ordinary income when withdrawn	<ul style="list-style-type: none"> Contributions have already been taxed and will not be taxed again Earnings are tax free (Qualified Distributions) if: <ol style="list-style-type: none"> 5 years have passed since Jan 1st of the year you made your first Roth contribution, AND Age 59 1/2 or older, permanently disabled, or deceased Non-qualified Distributions are subject to ordinary income tax.

* Contributions from Combat Zone Tax Exclusion Pay will be tax-exempt.

† Deferral of state or county taxes is determined by each individual jurisdiction.



Tax-Advantaged Savings: Do you need the benefit now?

Mike makes traditional contributions

Gross Income	\$40,000
Minus TSP Contributions	<u>-\$2,000</u>
Adjusted Income	\$38,000
Minus Estimated Federal Income Tax*	<u>-\$5,300</u>
Spendable Income	\$32,700

Ike makes Roth contributions

Gross Income	\$40,000
Minus Estimated Federal Income Tax*	<u>\$5,800</u>
After-tax Income	\$34,200
Minus TSP Contributions	<u>-\$2,000</u>
Spendable Income	\$32,200

By contributing traditional (before-tax) money to the TSP, Mike reduces his taxes and has \$500 more to cover everyday expenses.

*IRS Publication 2015 Instructions 1040; filing as single



... or later?

When Mike and Ike withdraw their balance:

Mike's traditional contributions and earnings will be subject to income tax

Future Value of \$2,000*	\$8,077
Minus Estimated Federal Income Tax†	<u>-\$808</u>
Spendable Income	\$7,269

Ike's Roth contributions and earnings may be withdrawn tax-free

Future Value of \$2,000*	\$8,077
Minus Estimated Federal Income Tax	<u>-\$0</u>
Spendable Income	\$8,077

In exchange for paying taxes up front and adhering to the Roth qualified distribution rules, Ike has more money to spend in retirement

* Assumes 20 years of compound growth and 7% annual rate of return

† Assumes same tax rate as previous slide



Retirement Savings Contributions Credit (The Savers' Credit)

Adjusted Gross Income (AGI) limits for 2016

Married Filing Joint	Head of Household	All Other Filers	Credit Max Per Person
\$ 1 - \$37,000	\$1 - \$27,750	\$ 1 - \$18,500	50% of contributions (\$1,000)
\$37,001 - \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000	20% of contributions (\$400)
\$40,001 - \$61,500	\$30,001 - \$46,125	\$20,001 - \$30,750	10% of contributions (\$200)
Over \$61,500	Over \$46,125	Over \$30,751	No Credit



Savers' Credit Example

Filing Status:	Married Filing Joint
Gross Income:	\$40,000.00
10% (Traditional):	- \$4,000.00
Taxable Income:	\$36,000.00

Married Filing Joint	Credit Max Per Person
\$ 1 - \$37,000	50% of contributions (\$1,000)
\$37,001 - \$40,000	20% of contributions (\$400)
\$40,001 - \$61,500	10% of contributions (\$200)
Over \$61,500	No Credit



TSP TIPS & RESOURCES



7 TSP Tips: “What & Why”

1. Contribute at least 5% of your salary.
WHY: Don't lose out on free money from the Agency match.
2. Transfer other retirement savings into the TSP.
WHY: Other plans can cost significantly more.
3. Think twice about taking a loan from your TSP account.
WHY: It may cost you hundreds (maybe thousands) of dollars in missed growth.
4. Use the calculators at tsp.gov to help define your retirement goal.
WHY: Planning your retirement is smarter than winging it.



7 TSP Tips: “What & Why”

5. Diversify your investment strategy or choose a TSP Lifecycle (L) Fund.
WHY: Varying your investments reduces risk.
6. Review your contributions and investment strategy regularly.
WHY: As life changes, so may your retirement goals.
7. Stay with the TSP after you separate.
WHY: TSP’s low costs are hard to beat!

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HOW THE TSP FITS INTO FERS

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Plan Participation

How to set up and manage your TSP account

- TSP and Your Retirement
- Enrolling in the TSP
- Investing Contributions

[Learn more](#)

Investment Funds

Information on TSP fund options and performance

- Fund Comparison
- Lifecycle Funds
- Share Prices
- Monthly Returns

[Learn more](#)

Planning & Tools

Retirement planning and tools for all career stages

- Before You Invest
- Maximize Your TSP Savings
- Calculators

[Learn more](#)

Life Events

Help with life events affecting your TSP account

- Entering Gov't Service
- Called to Active Duty
- Family Changes

[Learn more](#)

QUICK LINKS

- Change Your Address
- Forms & Publications
- Loan and Annuity Rates
- Fund Performance
- Contribution Limits
- Email Updates
- TSP Training for Benefits Officers
- Account Security

ACCOUNT SHORTCUTS

- Account Balance
- Recent Transactions
- Contribution Allocation
- Interfund Transfer
- Statements

BULLETIN BOARD

- Information for Federal Public Safety Employees (Updated)
- How can compound earnings work for me?
- OPM Cybersecurity Incident (Updated)
- Trouble with Your TSP Password? (Updated)
- How the TSP Fits Into FERS
- Add your email address to your TSP account
- 1st quarter participant statements are online and in the mail
- G Fund and the debt limit



TSP Website (www.tsp.gov)



MY ACCOUNT

TSP Account Number

OR

User ID

▶ [Forgot your account number or user ID?](#)


Access Your Account

- View account balance
- View Annual & Quarterly Statements
- Change your contribution allocation
- Request inter-fund transfers
- Request loans and withdrawals
- Create (or change) a user ID
- Change or request a Web password

[My Account](#) | [Plan Participation](#) | [Investment Funds](#) | [Planning & Tools](#) | [Life Events](#) | [Participant Support](#)



Contacting the TSP

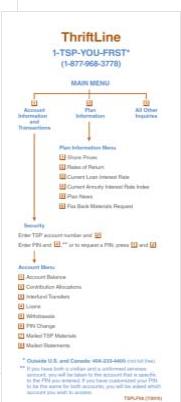


TSP Website
www.tsp.gov

Log into your account
Login to the former page?

TSP Account Number

OR User ID



ThrifLine
1-TSP-YOU-FIRST®
(1-877-968-3778)

MAIN MENU

- Investment and Transfers
- Interfund Transfers
- Other Inquiries

Plan Information Menu

- Share Plans
- State of Plans
- Current Loan Interest Rate
- Current Annuity Interest Rate Index
- Fee Table
- Fee Back Message Request

Security

Enter TSP account number and PIN and or to request a PIN, press and

Account Menu


- Account Balance
- Contribution Allocations
- Interfund Transfers
- Loans
- Withdrawals
- PEC Change
- Market TSP Materials



You Tube


TSP4gov is the official YouTube channel of the Thrift Savings Plan

[Learn more](#)



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Every dollar counts. An extra dollar goes a long way.

Invest actively!
Check out your personalized advice.

TSP4gov Your money. Our passion.

Secure Message Center: Civilian

Answer Center | **Messages**

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



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<http://tsptraining.questionpro.com>



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