



**Thrift Savings Plan
Loans & In-Service Withdrawals
Webinar**
Presented by the
Federal Retirement Thrift Investment Board

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



Agenda

- Helpful/harmful factors that affect TSP balance
- TSP Loan Program
- In-Service Withdrawal Options
- Loan & Withdrawal Rules: Other Considerations
- TSP Tips & Resources



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



TSP LOANS



Types of Loans



General Purpose

No documentation required
(1-5 years)



Residential

For purchase or construction
of a primary residence only
(1-15 years)



Costs of a Loan

- \$50.00 processing fee - deducted when loan is disbursed
- Loan interest
 - Based on G fund rate at time application is processed
 - Fixed for life of the loan
 - Not tax deductible
- The invisible (and probably the largest) cost – foregone investment earnings and reduced compounding of retirement savings



Other Loan Rules

- May have a maximum of two loans outstanding at one time
 - Participants may have one residential and one general purpose loan outstanding
- When a loan is paid in full there will be a 60-day waiting period before another like loan application is accepted
- Valid or pending court order prevents loan disbursement
- See tsp.gov/planparticipation or the TSP booklet, *Loans*, for more information



Repaying the Loan

- Payroll deduction based on the schedule of loan payments
- Participants may send additional payments in any amount
 - Personal checks, money orders or cashier's checks must be accompanied by loan coupon
- Multiple voluntary reamortizations
 - Participant may reamortize on TSP website or by calling the TSP to raise or lower payments only
- No post-service withdrawal options can be processed until the outstanding loan is settled



IN-SERVICE WITHDRAWALS



Financial Hardship Withdrawals

- Qualifying circumstances
 - Negative monthly cash flow
 - Medical expenses
 - Personal casualty losses
 - Legal expenses for separation or divorce
- Restrictions
 - Minimum withdrawal \$1,000
 - May only withdraw your own contributions and earnings
 - Six month non-contribution/waiting period



Costs of a Financial Hardship Withdrawal

- Withdrawal can't be repaid – permanently reduces retirement savings
- Contributions suspended for 6 months
 - No contributions means no matching (FERS)
- Withholding rate is 10%, actual tax is likely to be higher
- Additional 10% penalty tax on distributions prior to age 59½
- See tsp.gov/plan participation or the TSP booklet, *In-Service Withdrawals*, for more information



Age-Based Withdrawals

- Participants age 59½ or older may take a lump sum withdrawal (one-time only) while still in service
- Minimum withdrawal is \$1,000; maximum is entire vested account balance
- All or any portion may be transferred to an IRA or another eligible employer plan
- See the instructions for Form TSP-75, *Age-Based In-Service Withdrawal Request*, for more information



Loan & Withdrawal Rules

OTHER CONSIDERATIONS



Loan Considerations

- TSP loans can be settled before or within 90 days after separation
- Options
 - Reamortize or make additional payments before separation
 - Report a taxable distribution of the unpaid balance
 - TSP declares taxable distribution upon expiration of the 90-day grace period and reports to IRS
 - Participant can accelerate the distribution by signing “intent not to repay”

See [tsp.gov/planparticipation](https://www.tsp.gov/planparticipation) or the TSP booklet, *Loans*, for more information



Submitting Withdrawal Forms

- Married participants must print their withdrawal form from the TSP website
 - Provide notarized participant signature
 - Return the withdrawal request to the TSP for processing



Spouses' Rights

Retirement Plan	Requirement*	Exceptions [†]
FERS or Uniformed Services	Notarized spouse signature required**	Whereabouts unknown or exceptional circumstances - TSP-16 or TSP-U-16 required
CSRS	Spouse is entitled to notification of the participant's withdrawal election	Whereabouts unknown - TSP-16 required

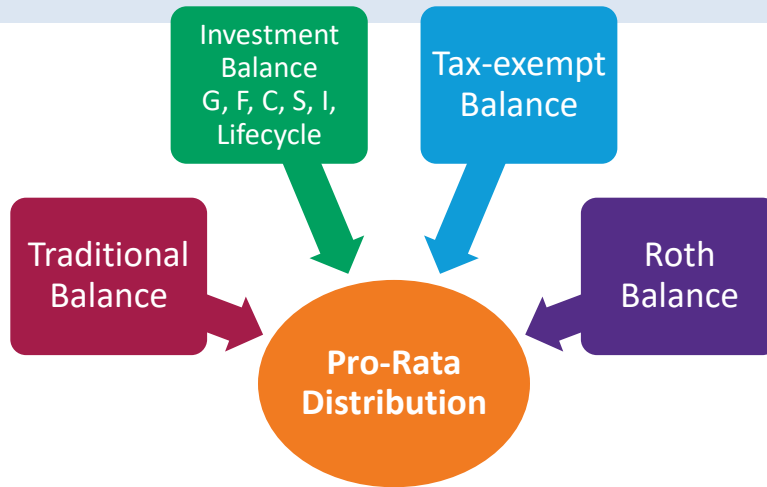
* If account balance is less than \$3,500, spouse's signature/notice is not required

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

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



Pro-Rata Distribution Rule



Pro-Rata: All withdrawal options will be paid proportionally from each balance

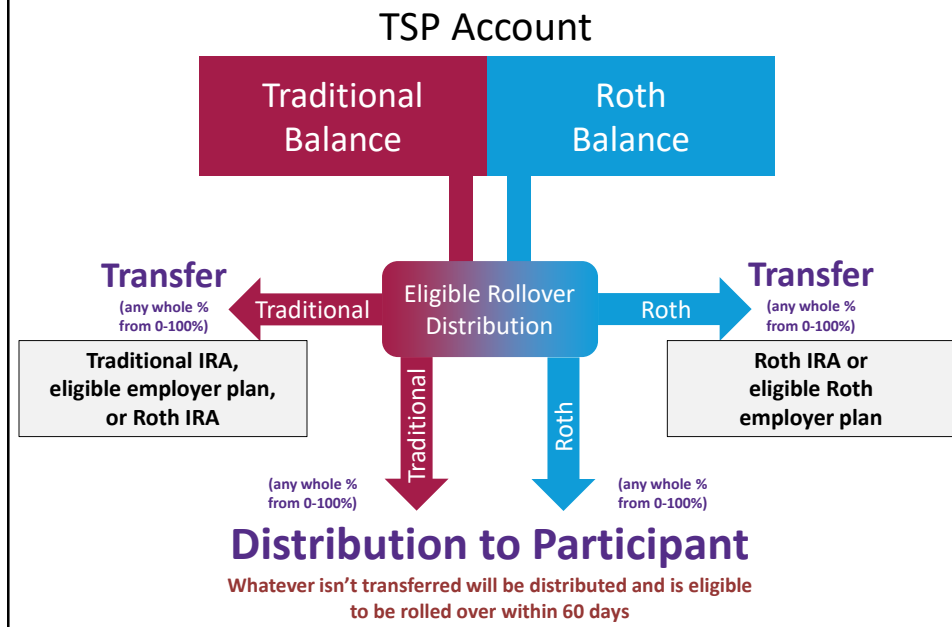


Tax Withholdings & Portability

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

See TSP-536, *Important Tax Information About Payments From Your TSP Account*, for more information

Eligible Rollover Distributions



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 internal revenue code)
- TSP monthly payments based on life expectancy
- Annuity payments
- Ordered by a domestic relations court
- 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*



* Participant must provide the justification to IRS when they file their taxes

IRS Publications 575, Pension and Annuity Income
 IRS Publication 721, Tax Guide to U.S. Civil Service Benefits



THRIFT SAVINGS PLAN YOUR PLAN • YOUR FUTURE

TSP TIPS & RESOURCES



7 TSP tips: “What & Why”

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



7 TSP tips: “What & Why”

- Diversify your investment strategy or choose a TSP Lifecycle (L) Fund
 - **WHY:** Varying your investments reduces risk
- Review your contributions and investment strategy regularly
 - **WHY:** As life changes, so may your retirement goals
- 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

[Watch now]

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Text size: [Adjust]

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

ACCOUNT SHORTCUTS

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

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)



Thrift Savings Plan

MY ACCOUNT

TSP Account Number

OR

User ID

▶ **Forgot your account number or user ID?**

Log In

Access Your Account

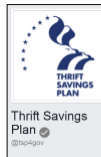
- View account balance
- View Annual & Quarterly Statements
- Change your contribution allocation
- Request inter-fund transfers
- Request loans and withdrawals
- Create (or change) a user ID
- Change or request a Web password

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



Contacting the TSP

Facebook



**YOUR PLAN.
YOUR FUTURE.**

tsp.gov

You may also visit **TSP.GOV** and log into "My Account" to perform many of your transactions and inquiries.

Notes

ThriftLine
1-877-968-3778

Available 24 hours a day, 7 days a week.

Check the U.S. and Canada:
606-233-6800
TOD: 1-877-847-4388

You Tube

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

[Learn more](#)

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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:

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TSP Publications



Post-Training Survey

<http://tsptraining.questionpro.com>



Questions???