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# **THRIFT SAVINGS PLAN (TSP)**

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# TSP Contributions

The Thrift Savings Plan (TSP) is a government sponsored retirement savings account. All contributions are withheld from basic pay before Federal, and in most cases, state income taxes are withheld. All earnings are tax-deferred. Both CSRS employees and FERS employees may participate in the Thrift Savings Plan, but the government contribution to the account differs for the two groups of Federal employees.

**CSRS Employees**

CSRS employees may contribute a percentage of basic pay or a specific dollar amount each pay period, up to the IRS elective deferral limit. CSRS employees do not receive any agency contributions to the account.

**FERS Employees**

FERS employees may contribute a percentage of basic pay or a specific dollar amount each pay period to TSP, up to the annual IRS elective deferral limit.

The employing agency automatically contributes 1% of the basic pay each pay period to the TSP account for all FERS employees, regardless of employee contribution.

The employing agency matches contributions dollar for dollar on the first 3% that the employee contributes, and 50 cents on the dollar for the next 2% that the employee contributes.

<b>TSP Matching Contributions</b>			
<b>Percent of Basic Pay Contributed to Your Account (FERS Employees Only)</b>			
You put in:	Your agency puts in: -		And the total contribution is:
	Automatic (1%)	Agency Matching	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
6+%	1%	4%	11+%

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## **TSP Contributions**

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An employee may elect to contribute to the TSP any whole % of basic pay he or she earns each pay period or a specific whole dollar amount each pay period.

### **TSP Contribution :**

#### **TSP Contribution may be:**

- % of pay or
- Whole dollar amount

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## **Catch-up Contributions**

*For TSP Participants Age 50 and Older*

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“Catch-up Contributions” are supplemental tax-deferred employee contributions that TSP participants who are age 50 or older can make to their TSP accounts. These contributions are in addition to the employee’s regular employee contributions and do not count against the IRS elective deferral limit.

### **Eligibility for Catch-up Contributions**

A TSP participant is eligible to make catch-up contributions as long as he or she is:

- At least 50 years old in the year the catch-up contributions are made (age 50 by December 31); and
- Contributing an amount which will result in his or her reaching the elective deferral limit by the end of the year (\$15,000 in 2006); and
- Is in pay status; and
- Is not in the 6-month non-contributory period following a financial hardship withdrawal.



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## Catch-up Contributions

(Continued)

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### Catch-up Contribution Elections

Elections for catch-up contributions are separate from the employee's election for regular TSP contributions. The employee can make a catch-up contribution election at anytime beginning in the year in which he or she turns age 50.

Employees must use Postalease to make TSP catch-up contributions.

Catch-up contribution elections are made in terms of whole dollar amounts to be deducted from the employee's basic pay each pay period. Catch-up contributions will continue to be deducted until the earliest of:

- The annual catch-up limit is reached; or
- The calendar year ends; or
- The employee elects to stop the contribution.

### NOTE:

The participant must make a new election for catch-up contributions each year.

Employees may stop their catch-up contributions at anytime and may restart contributions at any time.

### Termination of Catch-up Contributions

If an employee stops his or her regular TSP contributions or receives a financial hardship withdrawal, the catch-up contribution must also stop.

Catch-up contributions end automatically with the last pay date of the year.

### Catch-up Contributions Investment Allocations

Catch-up contributions will be invested in the employee's TSP account based on the most current TSP contribution allocation on file.

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## Outstanding Loans

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If you have an outstanding TSP loan at the time of your separation, the TSP Service Office will notify you about repaying the loan. If the loan is not paid in full, a taxable loan distribution will be declared. IRS will consider the unpaid balance of your loan to be taxable income.

If you retire before the year in which you become age 55, a 10% early withdrawal penalty will be charged on the taxable distribution.

You may roll over (within 60 days) any or all of the taxable amount into a traditional IRA or an eligible employer plan using your personal funds and avoid taxes and penalties on that amount.

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## Withdrawal Options

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### Withdrawal Options

There are three basic withdrawal options available to separated TSP participants. The TSP account can be distributed in any combination of the following options:

- A single payment;
- A series of monthly payments; or
- A life annuity purchased from an insurance company selected by the Thrift Board.

### Defer Receipt of Payment

A separated participant can **defer receipt of payment and leave the entire account balance in the TSP**, subject to the required **IRS minimum distribution** at age 70 and 1/2. The separated participant can continue to transfer the account among the investment funds and may elect any of the withdrawal options at a later date. The TSP Service Office notifies the separated participant when approaching this minimum distribution date.

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## No Penalty After Retirement At Age 55 or Older

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### No Penalty if:

If an employee separates or retires in the year in which he/she reaches age 55 or later, there is no early withdrawal penalty tax.

### Early Withdrawal Penalty

If an employee separates or retires before the year in which he/she reaches age 55, a **10% early withdrawal penalty tax** will apply to all amounts received before age 59-1/2.

The early withdrawal penalty tax does not apply to annuity payments, payments made because of death, or payments made to participants who retire on disability retirement.

The early withdrawal penalty does not apply to monthly installment payments based upon life expectancy. If the separated participant later elects a final single payment, either before becoming age 59-1/2 or within five years of the date of the first payment, whichever is later, the early withdrawal penalty tax will apply to all payments received before age 59-1/2.

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## Partial Withdrawal

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A separated employee can make a one-time-only withdrawal of part of the TSP account and leave the rest in TSP until a later date. The partial withdrawal cannot be less than \$1,000. An employee who made an age-based (59-1/2 or older) in-service withdrawal is not eligible for a partial withdrawal.



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## Single Payment

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A separated participant may elect to withdraw the entire TSP account balance in a single payment. The payment can be made directly to the separated participant or all or part of the account balance can be transferred directly to an IRA or other eligible retirement plan.

**Payment made directly to a separated participant = mandatory 20% Federal income tax withholding**

The distribution of the account balance **directly to the separated participant** in a single payment is subject to **20% Federal income tax withholding**, which cannot be waived. There is no Federal income tax withholding on payment(s) that the TSP transfers directly to an IRA or other eligible retirement plan.

**Transfer to IRA or other eligible Retirement Plan**

The separated participant may elect to transfer all or part of the account balance to an IRA or other eligible retirement plan.

- The amounts transferred will not be subject to taxation until withdrawal.
- All stipulations of the new IRA or pension plan apply upon withdrawal.
- The transfer can only be made to **one** IRA account or other eligible plan.
- The TSP account **cannot** be transferred directly into a Roth IRA.

**TSP Withdrawal Request Forms:  
TSP Form 70**

To request a withdrawal, complete TSP Form 70, indicating single payment or series of monthly payments and that you want to transfer, if applicable. Both you and your financial institution must complete the TSP Form 70 if you desire to transfer funds to a traditional IRA or an eligible employer plan. ***TSP cannot accept forms provided by the financial institution.***

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## Series of Monthly Payments

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### Monthly Installments

A separated participant may elect to receive the total of his/her account paid out in substantially equal installments based upon:

- Specific dollar amount, or
- Life expectancy (The participant can instruct the Thrift Board to calculate payments based on IRS life expectancy tables.)

#### TSP Online Monthly Payments Calculator:

You may estimate the number of payments that you will receive and the length of time it will take to deplete the account at a specified monthly payment and an assumed rate of return.

#### TSP Monthly Payments Calculator ([www.tsp.gov](http://www.tsp.gov))

Choose how you would like your monthly payments made; then press the ENTER button.

- for a specific dollar amount or  
 Based on your life expectancy

Enter the amount that will be used for monthly payments: \$ 100,000

What amount would you like to receive each month? \$ 500

Indicate the rate you expect your TSP account to grow: \$ 5%

**CALCULATE**

You can expect to receive the following number of payments: 431

Which will deplete your account in: 35 years, 11 months



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## **Series of Monthly Payments**

*(Continued)*

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The separated participant can continue to transfer the balance of the account among the TSP investment funds while receiving monthly payments.

**Eligible Rollover Distributions**

Monthly payments which are expected to be made for less than ten years are treated as eligible rollover distributions.

If you choose to receive payments based upon a specific dollar amount, the TSP will divide your account balance at the time the payments begin by the dollar amount that you choose. If the result is less than 120, payments are treated as eligible rollover distribution which can be transferred to an IRA or other retirement plan. If the result is 120 or more, the payments will be treated at periodic payments, which cannot be transferred to an IRA.

**Transfer to IRA or other eligible Retirement Plan**

There is no Federal income tax withholding on payment(s) that the TSP transfers directly to an IRA or other eligible retirement plan.

**Mandatory 20% Federal Income Tax Withholding**

The payment of rollover eligible distributions directly to the separated participant is subject to 20% Federal income tax withholding, which cannot be waived.



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## **Series of Monthly Payments**

*(Continued)*

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### **Periodic Payments**

Monthly payments expected to be made for 10 or more years or which are calculated based on life expectancy are periodic payments.

Federal income tax is withheld from periodic payments based upon your W-4P. If the W-4P is not submitted to the TSP Service Office, withholdings are based upon the assumption that you are married claiming three withholding allowances.

### **Permissible Changes**

TSP-computed life expectancy payments can be changed to fixed dollar amount payments one time.

The amount of monthly fixed dollar payments can be changed once a year.

The monthly payments can be changed to a final single payment.

The proportion of the rollover eligible payment that is transferred to an IRA or other retirement plan may be changed. This change is only permissible if, when the payments began, they were expected to last less than 10 years and were not based on IRS life expectancy tables.

The IRA or other eligible retirement plan to which payments are sent may be changed.

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## TSP Annuities

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A separated participant may elect to have the TSP use the account balance to purchase an annuity from the TSP annuity provider. The balance of the account applied to the annuity option must equal at least \$3,500. The current TSP annuity provider is Metropolitan Life Insurance Company (Met Life), a major national insurance company competitively chosen by the Thrift Retirement Investment Board. When the annuity is purchased, the TSP account is closed. All further communications regarding the TSP annuity will be with the annuity provider. Five types

- 1. Single Life Annuity Level Payment**

The retiree may elect to receive equal monthly payments for life. Benefits may end on death of the retiree or cash refund\* or 10-year certain payout \*\*may be elected.
- 2. Single Life Annuity Increasing Payment**

The retiree may elect to receive monthly payments which increase yearly. The increase is based upon the increase in the consumer price index, but cannot exceed 3 percent per year. Monthly checks are initially lower, then increase over time to help keep up with inflation. Cash refund\* or 10-year certain payout\*\* may be elected.
- 3. Joint and Surviving Spouse Annuity Level Payment**

The retiree may elect to receive equal monthly payments for life plus a monthly benefit payable to the surviving spouse in the event of the retiree's death. Cash refund\* may be elected.
- 4. Joint and Surviving Spouse Annuity Increasing Payment**

The retiree may elect to receive monthly payments which increase yearly plus a monthly benefit payable to the surviving spouse in the event of the retiree's death. The increase is based upon the increase in the consumer price index, but cannot exceed 3 percent per year. Cash refund\* may be elected.
- 5. Joint and Other Survivor Annuity Level Payment**

The retiree may elect to receive equal monthly payments for life plus a monthly benefit payable to a person with an insurable interest or to a former spouse. Cash refund\* may



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## **TSP Annuities**

*(Continued)*

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**\* Cash refund feature**

The amount of the account balance used to purchase the annuity is guaranteed. If the retiree (and for a joint annuity, also the elected survivor) die before receiving payments equal to the amount of the account balance used to purchase the annuity, a designated beneficiary will receive a cash refund of the difference.

**\*\* Ten-year certain payout**

If the retiree dies within ten years after the start of the annuity, a designated beneficiary receives the payments, but with no further provision for payments to a beneficiary upon his/her death. This feature may only be selected if you are purchasing a single life annuity.

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## TSP Annuity Calculator

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### TSP Online Annuity Calculator:

You may estimate an annuity under different scenarios with the current interest factor by using the calculator function on the TSP Internet site: <http://www.tsp.gov> .

<b>TSP Annuity Calculator (www.tsp.gov)</b>
Choose the kind of annuity you would like; then press the ENTER button. <input type="radio"/> Single Life <input type="radio"/> Joint Life with Spouse <input type="radio"/> Joint Life with Other Survivor who has an insurable interest in you.
At what age do you expect to begin this annuity? _____
Enter your estimated account balance at the time your annuity is purchased. Must be \$3,500 or more. \$ <input type="text"/>  (Note: You can use the Projecting Account Balance calculator to project your future account balance.)
Choose the type of payments you would like: <input type="radio"/> Level payments, or <input type="radio"/> Increasing payments
Select one of the following: <input type="radio"/> No additional features, or <input type="radio"/> Cash refund feature, or <input type="radio"/> 10-year certain feature

**CALCULATE**

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## TSP Annuity Estimates

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<b>Annuity Calculator : <a href="http://www.tsp.gov">www.tsp.gov</a></b>		
<b>Example: Age 55 \$100,000 Account</b>	<b>DELAY WITHDRAWAL</b>	<b>Example: Age 60 \$128,335 Account</b>
Single life annuity w/ level payment cash refund feature 4.5% interest rate factor  tsp.gov - Annuity Calculator: annuity = \$584 / month	<b>Add 5% Growth for 5 years:</b> \$100,000 = \$128,335	Single life annuity w/ level payment cash refund feature 4.5% interest rate factor  tsp.gov - Annuity Calculator: annuity = \$807 / month

Example reflects a 4.5% annuity interest rate index.

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## TSP Publications

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While there are numerous TSP publications available on [www.tsp.gov](http://www.tsp.gov), the following publications are of particular interest to separating employees. Please refer to these publications before making any withdrawal election.

**[Making the Right Move! TSP Withdrawals](#)**

**[Withdrawing Your TSP Account After Leaving Federal Service](#)**

**[Important Tax Information About Payments From Your TSP Account](#)**

**[Important Tax Information About TSP Death Benefit Payments](#)**

**[Important Tax Information Your TSP Withdrawal and Minimum Required Distributions](#)**

**[TSP Annuities](#)**

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## Spouses' Rights

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### **FERS Participants:**

The spouse of a **FERS participant** is entitled, by law, to a survivor annuity based upon the TSP account. This annuity is a joint life annuity, with a 50% survivor benefit, level payments, and no cash refund feature. The spouse of a FERS participant must sign a statement waiving his/her right to the required annuity for the separated FERS participant to elect any other payment option.

### **CSRS Participants:**

The spouse of a **CSRS participant** will be notified if the participant elects any payment option other than the joint life annuity, with 50 percent survivor benefits, level payments and no cash refund feature. TSP will send a notice to the spouse of a CSRS participant before the annuity is purchased notifying the spouse of the withdrawal.