



THRIFT SAVINGS PLAN

FEB PILOT PROGRAM (PART I)

EARLY TO MID-CAREER

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Part I - Agenda

- Make Wise Decisions Today: Retire With Dignity Tomorrow
- Saving for Retirement: Your TSP Contributions
- Choosing a Tax Treatment: Traditional or Roth?
- Saving in the Thrift Savings Plan
- Accessing your TSP Money While Still Employed: Loans and In-Service Withdrawals

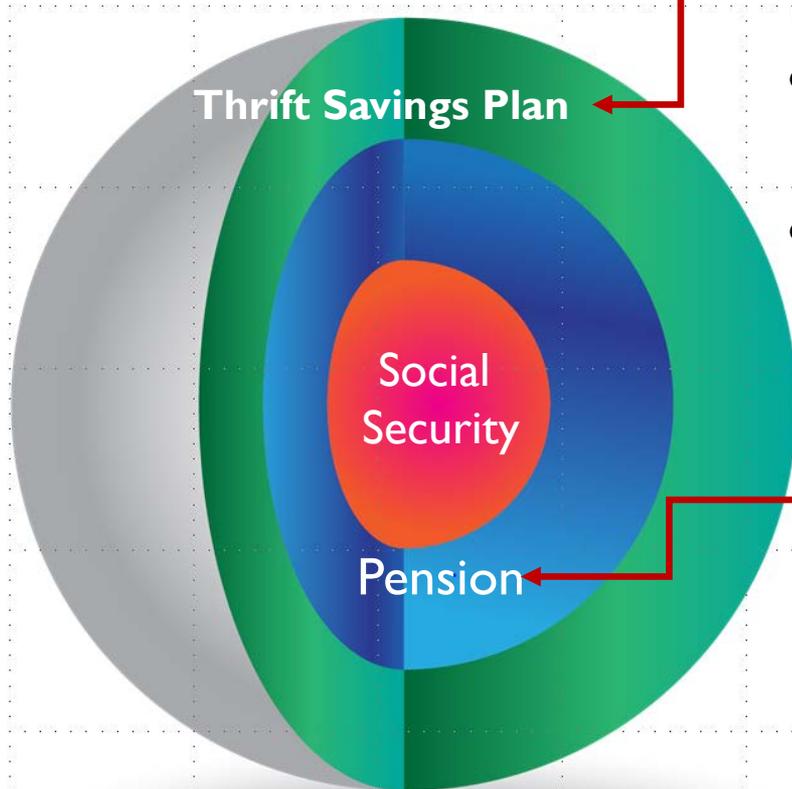


Retire With Dignity Tomorrow

Make Wise Decisions Today



Sources of Income in Retirement



Defined Contribution Plan (Thrift Savings Plan)

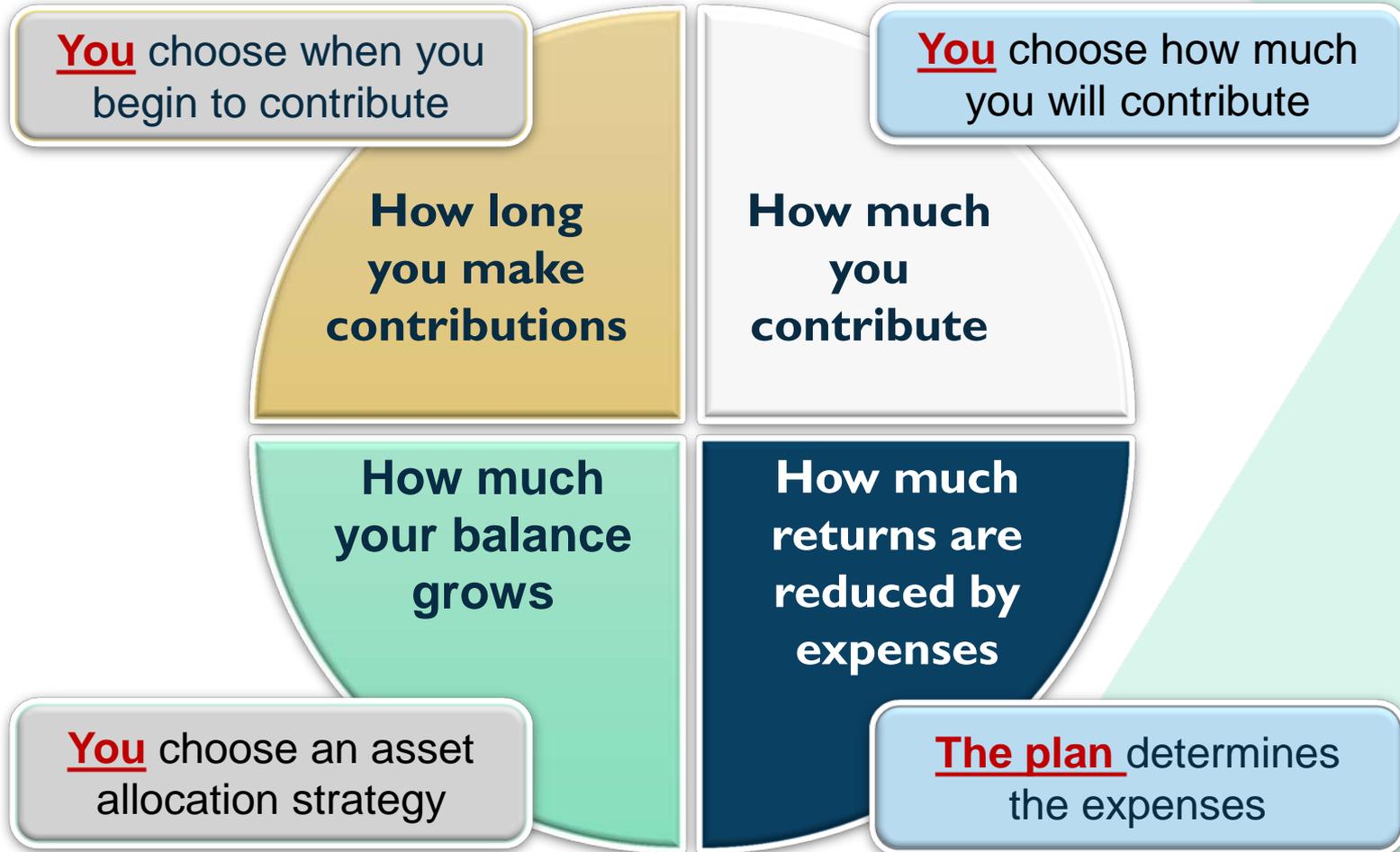
- Retirement income based on account balance at retirement
- Employee makes investment decisions & bears the risks

Define Benefit Plan

(Pension or military retirement)

- Retirement income based on a pre-determined formula
- Employer makes investment decisions & bears the risks

TSP account balance at retirement depends on:



Make wise decisions today, retire with dignity tomorrow

TSP Characteristics

Pay yourself first!
Automatic
enrollment &
payroll deduction



Agency contributions
for FERS!
Service contributions
for BRS!
1% automatic &
4% maximum match



Extremely
low expense
ratio
(0.038%)

Choice of:

- Traditional TSP
(pre-tax)
and/or
- Roth TSP
(after-tax)
contribution strategy



Choice of diversified
investment funds and
professionally
designed lifecycle
fund portfolios



Actions that **positively** affect TSP balance

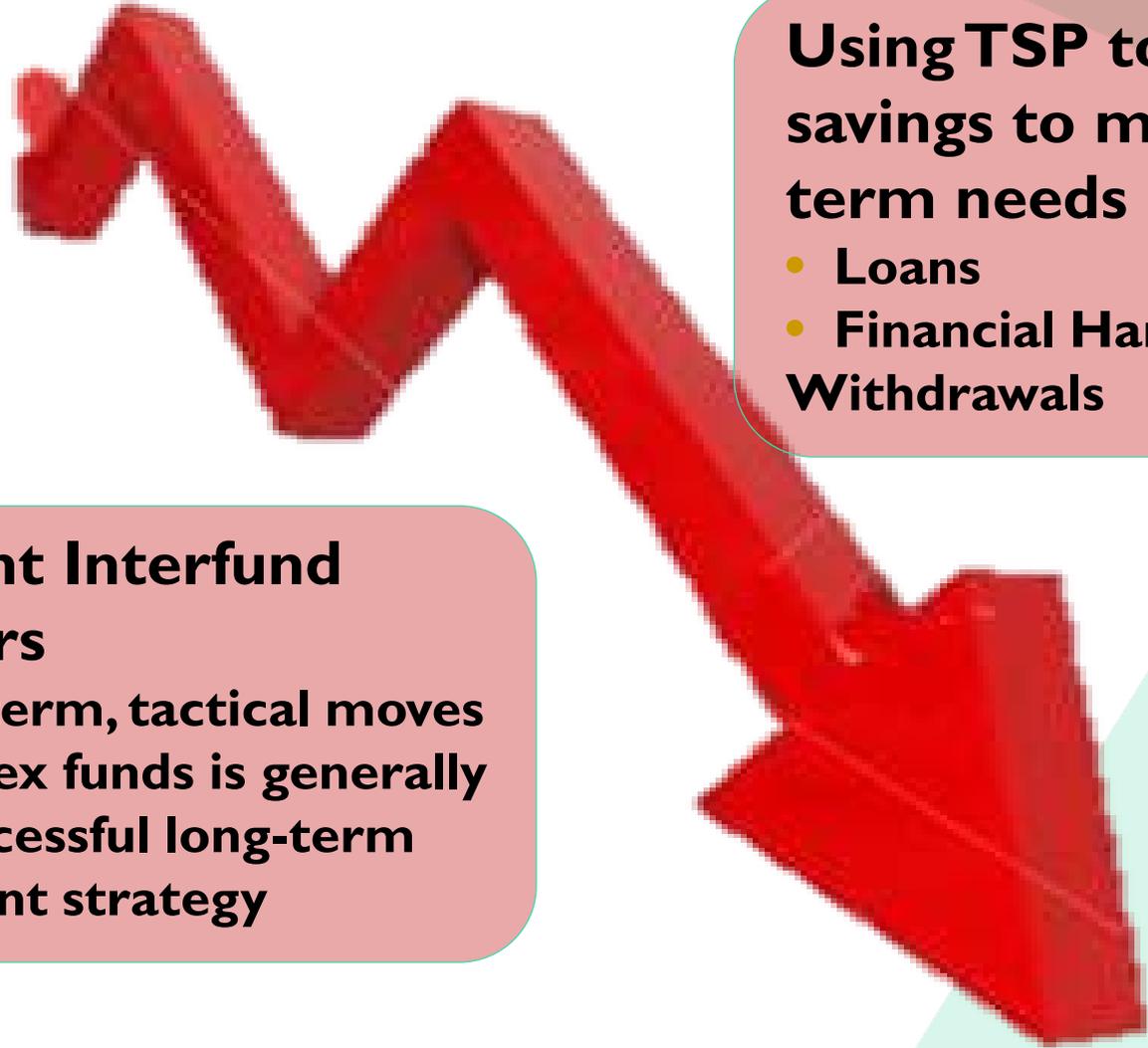
FERS: contribute enough to get full agency match

- **Contribute five percent to get maximum agency match of four 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 rebalance and reallocate based on a long-term strategy**
- **Or choose a Lifecycle fund – rebalancing and reallocations occur automatically**

Actions that **may negatively** affect TSP balance



Using TSP to access savings to meet short-term needs

- Loans
- Financial Hardship Withdrawals

Frequent Interfund Transfers

- Short-term, tactical moves using index funds is generally an unsuccessful long-term investment strategy

Your TSP Contributions

Saving for Retirement



Contribution Elections

- Once you begin making contributions, you can stop, change, or resume them 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- I/ TSP- U-I may also be used
- Elections are generally effective the first full pay period after receipt by the agency
- Catch-up contributions require a separate TSP election



Contribution Sources and Limits

Participant Contributions

Regular

2017 Annual Limit*
\$18,000

Traditional
(tax-deferred)
and
Roth (after-tax)

Catch-Up*

2017 Annual Limit
\$6,000

Traditional
(tax-deferred)
and
Roth (after-tax)

Agency Contributions (FERS Only)

Agency
Automatic
(1%)

Traditional
(tax-deferred)

Vesting
Requirement

Agency
Matching
(Up to 4%)

Traditional
(tax-deferred)

No
Vesting
Requirement



*Participants turning age 50 or older in the calendar year may make additional contributions to the TSP

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
- No vesting rule

Agency Contributions*

- Agency Automatic (1%) Contributions
 - Subject to vesting
- 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%
 - No vesting rule

Agency Contributions to Your Account (FERS Employees Only)

You put in:	Your agency puts in:	And the total contribution is:	
	1% Contribution	Matching Contribution	
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%
More than 5%	1%	4%	Your contribution + 5%

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

Maximizing Your Match

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

ED	30% EC	4% Match
PC #1 to PC #20	\$900 each	\$120 each
PC #1 to 20	\$18,000	\$2,400

PC #21 to 26		
PC #21	\$0	\$0
PC #22	\$0	\$0
PC #23	\$0	\$0
PC #24	\$0	\$0
PC #25	\$0	\$0
PC #26	\$0	\$0
PC #21 to 26	\$0	\$0

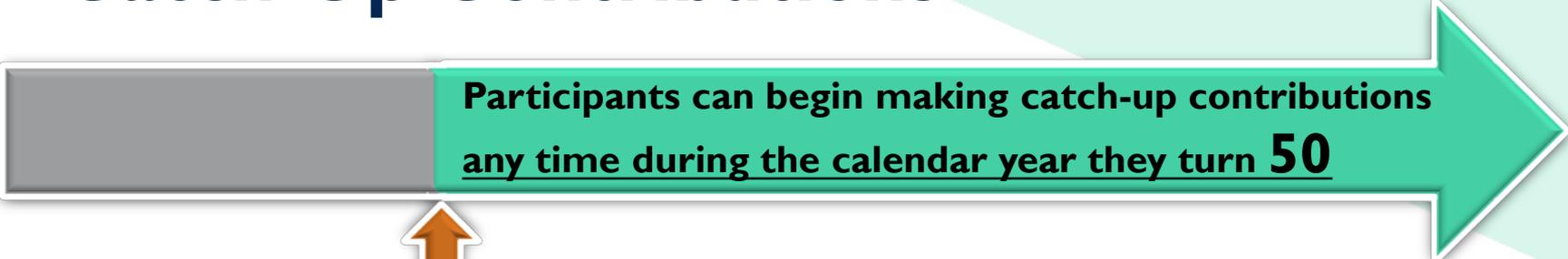
Total of 20 Contributions	\$18,000	\$2,400
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SUSAN	30% EC	4% Match
PC #1 to PC# 20	\$693 each	\$120 each
PC #1 to 20	\$13,860	\$2,400

PC #21 to 26		
PC #21	\$693	\$120
PC #22	\$693	\$120
PC #23	\$693	\$120
PC #24	\$693	\$120
PC #25	\$693	\$120
PC #26	\$675	\$120
PC #21 to 26	\$4,140	\$720

Total of 26 Contributions	\$18,000	\$3,120
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Catch-Up Contributions



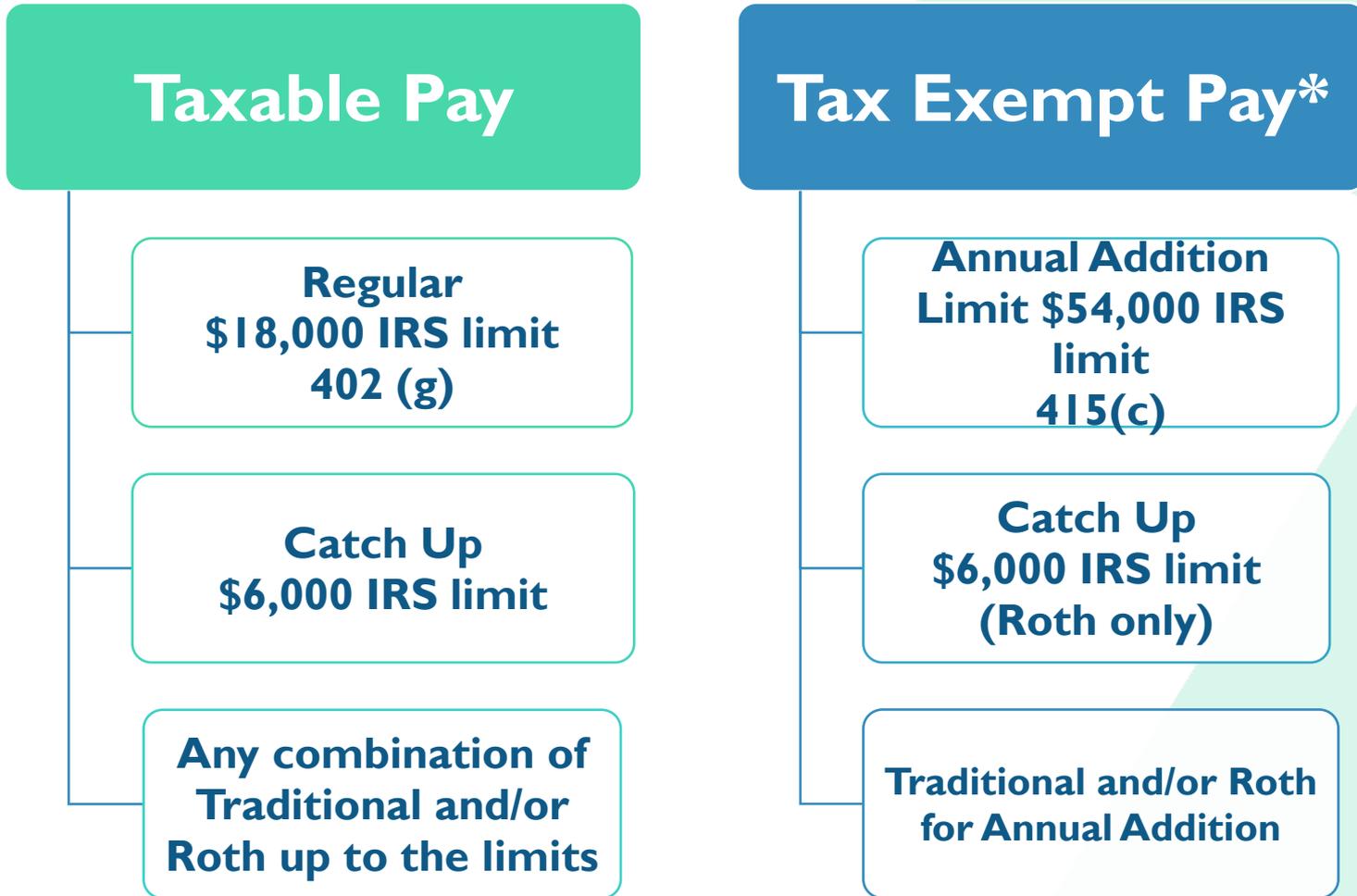
Participants can begin making catch-up contributions any time during the calendar year they turn 50



January 1

- In addition to the regular TSP contributions
- Dollar amount only
- Require a separate election
- A new election must be submitted for each calendar year
- No agency matching on catch-up contributions
- Maximum contribution for 2017 is \$6,000
 - Must self-certify intent to make regular contributions up to the elective deferral limit
- Electronic election or TSP-I-C/TSP-U-I-C

2017 Uniformed Services Contribution Rules



Contribute 1% to 100% of basic pay

Plus any percentage from incentive, special, and bonus pay

* **Combat Zone Tax Exclusion Pay 415(c)**



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 \$8,165.10 per month (basic pay of the most senior enlisted member) plus \$225 hostile fire/imminent danger pay*



*Based on 2017 Military Pay Chart at <http://www/dfas.mil/>

National Defense Authorization Act Fiscal Year 2016



MILITARY COMPENSATION

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**The Uniformed Services
Blended Retirement System**



BRS: Auto-enrolled or Not?

**Serving on or before
31 DEC 17**

Not Auto-enrolled

**New accessions
on or after
1 Jan 18**

**Automatically
enrolled**

Who can opt-in?

ACTIVE

Fewer than 12 years of total services as of 31 DEC 17

RESERVE

Fewer than 4,320 retirement points as of 31 DEC 17

Eligible Service members have all of **CY2018** to make their decision – If they,

- **Want to stay covered under current system – do nothing**
- **Decide BRS is better – can opt-in**

BRS Education

1. BRS Opt-in Course
2. Blended Retirement System Leaders Course
3. Financial Counselors/Educators Course
4. BRS Calculator

The screenshot displays the "MILITARY COMPENSATION" website. At the top left is the Department of Defense seal. A search bar on the right contains the text "Search militarypay.defense.gov". The navigation menu includes: HOME, ABOUT, BLENDED RETIREMENT, PAY, CALCULATORS, BENEFITS, and REFERENCES. The main content area features a large blue banner with the text "The Uniformed Services Blended Retirement System" and a calendar icon for "January 1 2018". To the right of the banner is a quote from Deputy Secretary Robert O. Work: "The implementation of the Blended Retirement System is a monumental change for the Department, requiring significant involvement from all members of the Uniformed Services. Pay close attention, remain committed, stay fully-informed, educated and prepared for the transition." Below the banner is a "Policy Highlights" section with a list of key points. On the right side, there are three promotional boxes: "COMING SOON! BRS Comparison Calculator", "BRS Policy Implementation Policy", and "Implementation Timeline".

MILITARY COMPENSATION

Search militarypay.defense.gov

HOME ABOUT BLENDED RETIREMENT PAY CALCULATORS BENEFITS REFERENCES

The Uniformed Services Blended Retirement System

January 1 2018

"The implementation of the Blended Retirement System is a monumental change for the Department, requiring significant involvement from all members of the Uniformed Services. Pay close attention, remain committed, stay fully-informed, educated and prepared for the transition."

Deputy Secretary Robert O. Work

Policy Highlights

- The Fiscal Year 2016 Nation Defense Authorization Act created a new military retirement system that blends the traditional legacy retirement pension with a defined contribution to Service members' Thrift Savings Plan account. The new Blended Retirement System goes into effect on January 1, 2018.
- All members serving as of December 31, 2017, are grandfathered under the legacy retirement system. No one currently-serving will be automatically switched to the Blended Retirement System.
- Though they are grandfathered under the legacy retirement system, Active Component Service members with fewer than 12 years since their Pay Entry Base Date, and Reserve Component Service members who have accrued fewer than 4,320 retirement points as of December 31, 2017, will have the option to opt into the Blended Retirement System. The opt-in/election period for the Blended Retirement System begins January 1, 2018, and concludes on December 31, 2018.
- All Service members who enter the military on or after January 1, 2018, will automatically be enrolled in BRS.

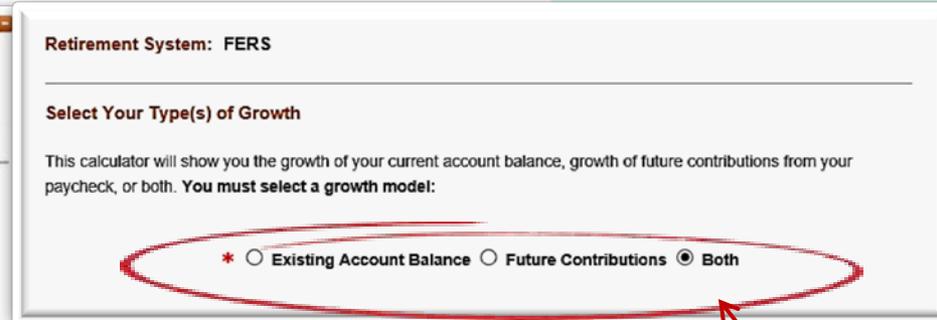
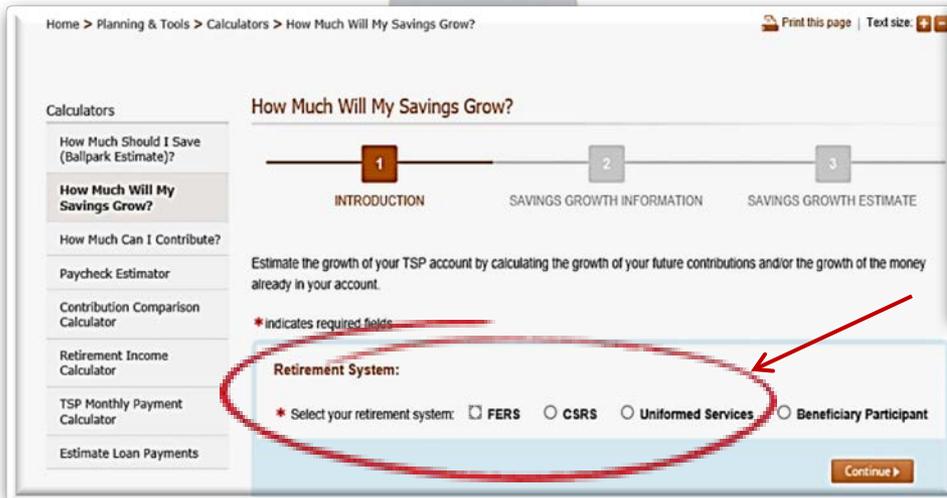
COMING SOON! [BRS Comparison Calculator](#)

BRS Policy [Implementation Policy](#)

[Implementation Timeline](#)



TSP Account Growth Potential



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.

Beginning balance:

\$10,000

Length of Contributions:

25 years

Annual pay:

\$45,000

Contribution election:

3%

Pay increase:

3% per year

Begin withdrawals in:

25 years

Expected Annual return:

6%

Average Annual Returns (As of December 2015)

	L Income	L 2020	L 2030	L 2040	L 2050	G Fund	F Fund	C Fund	S Fund	I Fund
1-Year	1.85%	1.35%	1.04%	0.73%	0.45%	2.04%	0.91%	1.46%	(2.92%)	(0.51%)
3-Year	4.18%	7.30%	8.68%	9.65%	10.48%	2.08%	1.93%	15.21%	13.13%	4.80%
5-Year	3.90%	6.50%	7.58%	8.33%	-	2.03%	3.57%	12.63%	10.65%	3.79%
10-Year	4.13%	5.41%	5.90%	6.19%	-	2.94%	4.74%	7.36%	8.03%	3.20%
Since Inception	4.14%	5.48%	5.97%	6.27%	3.95%	5.29%	6.45%	10.09%	8.37%	4.23%
Inception Date	08/01/05	08/01/05	08/01/05	08/01/05	01/31/11	04/01/87	01/29/88	01/29/88	05/01/01	05/01/01

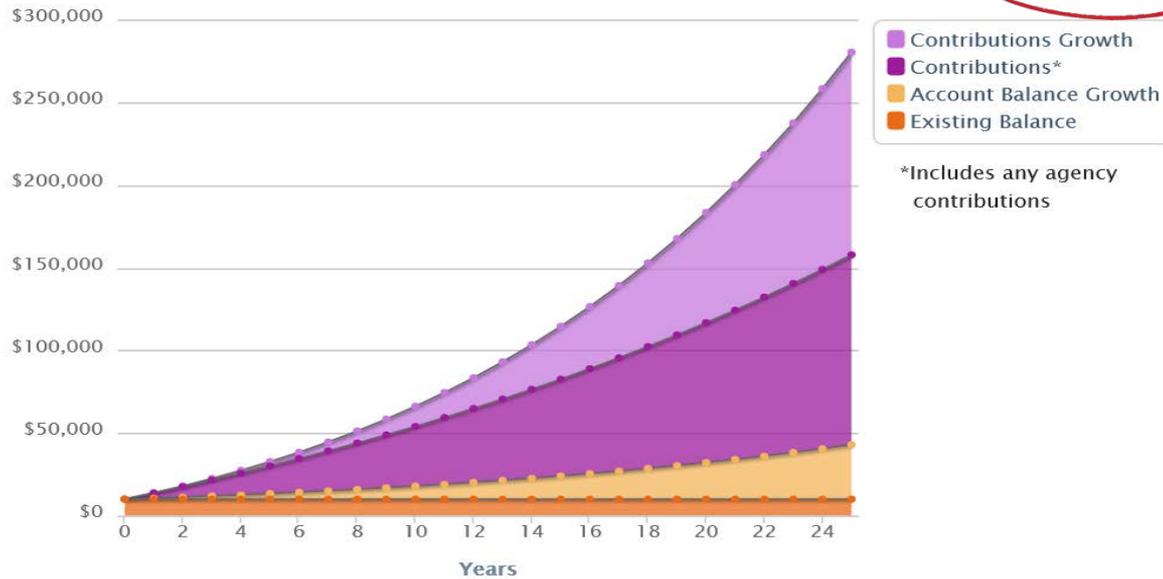


Projected Account Balance

Your existing account balance	\$10,000.00
Growth of your existing account balance	\$32,918.74
Your future contributions	\$114,846.68
Growth of your future contributions	\$122,543.31

Total estimated TSP account balance

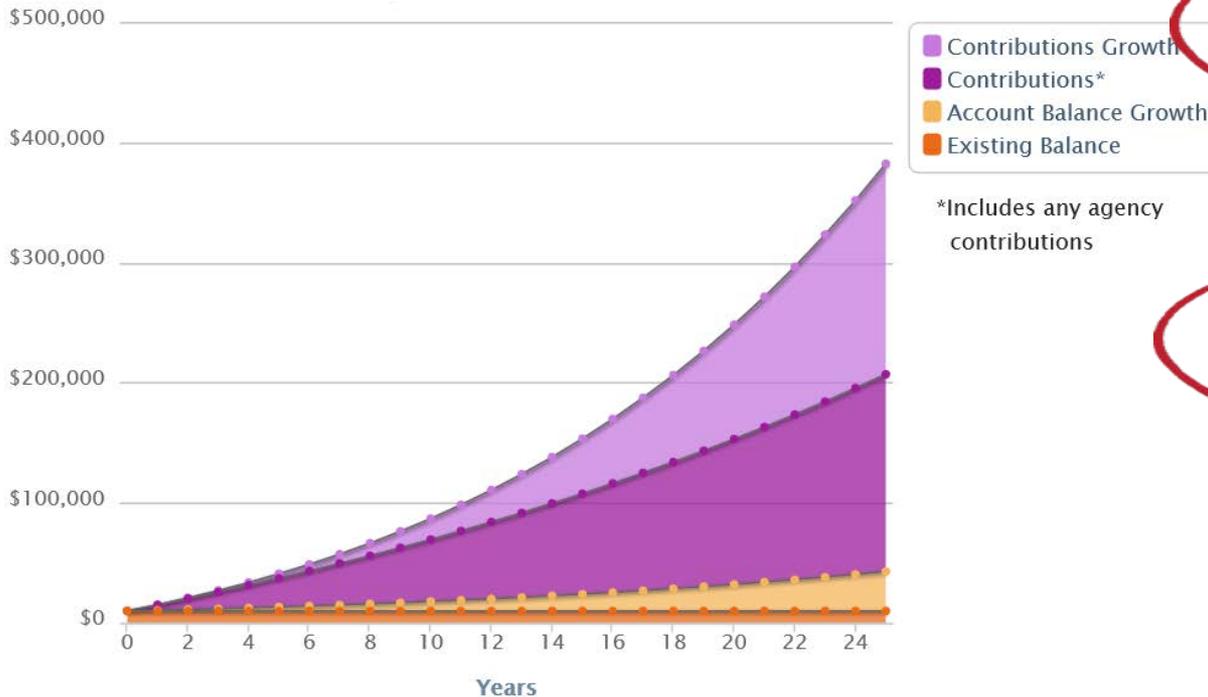
\$280,308.73



Projected Account Balance

Your existing account balance	\$10,000.00
Growth of your existing account balance	\$32,918.74
Your future contributions	\$164,066.76
Growth of your future contributions	\$175,062.80

Total estimated TSP account balance **\$382,048.30**



Beginning balance:
\$10,000

Length of Contributions:
25 years

Annual pay:
\$45,000

Contribution election:
5%

Pay increase:
3% per year

Begin withdrawals in:
25 years

Expected Annual return:
6%

Projected Account Balance

Your existing account balance	\$10,000.00
Growth of your existing account balance	\$32,918.74
Your future contributions	\$246,099.62
Growth of your future contributions	\$262,593.63

Total estimated TSP account balance **\$551,611.99**

Beginning balance:
\$10,000

Length of Contributions:
25 years

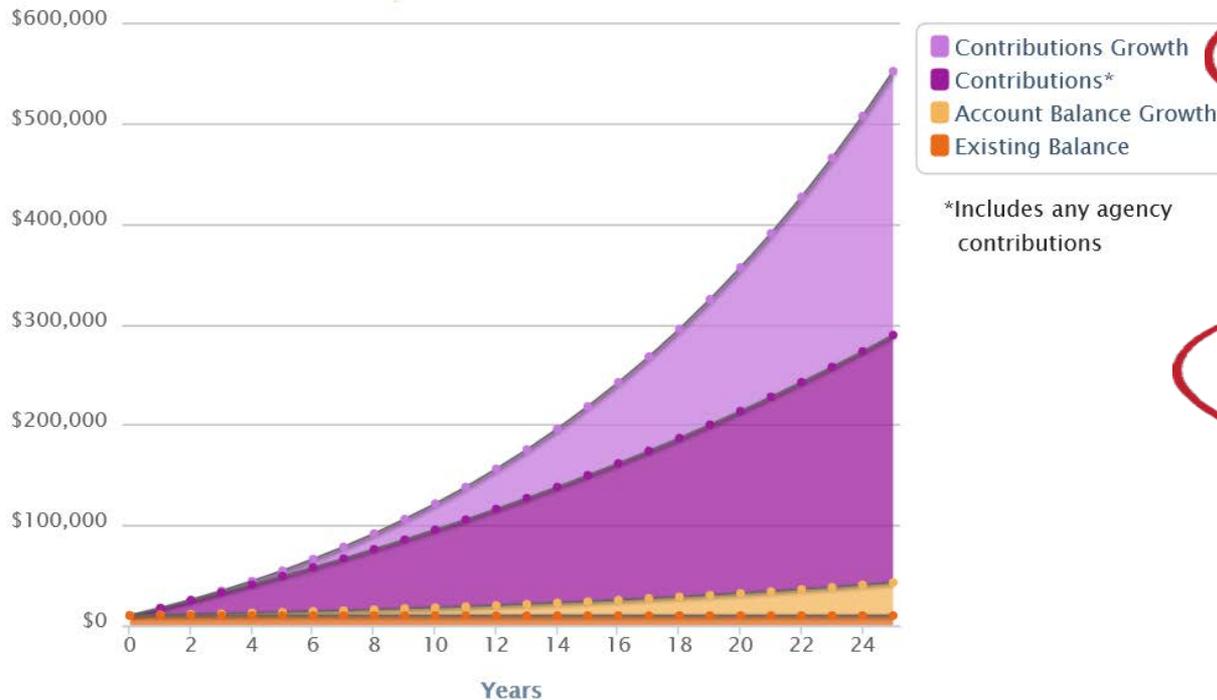
Annual pay:
\$45,000

Contribution election:
10%

Pay increase:
3% per year

Begin withdrawals in:
25 years

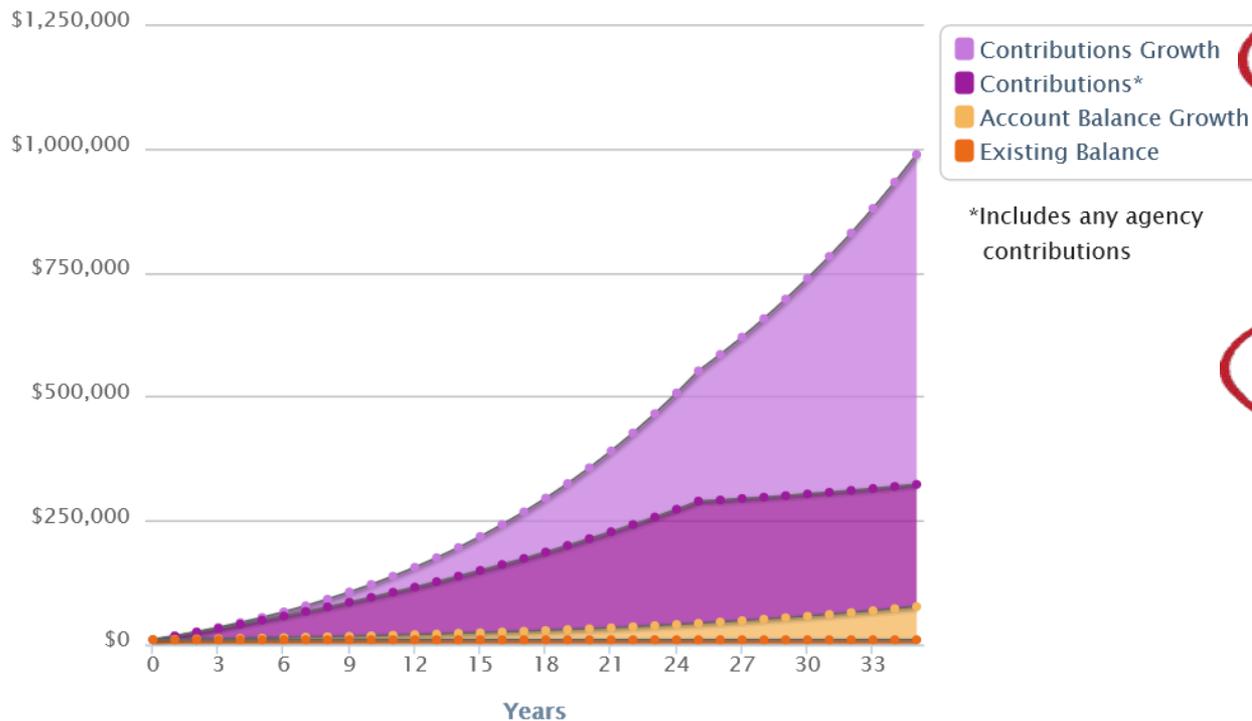
Expected Annual return:
6%



Projected Account Balance

Your existing account balance	\$10,000.00
Growth of your existing account balance	\$66,860.91
Your future contributions	\$246,099.62
Growth of your future contributions	\$664,892.49

Total estimated TSP account balance **\$987,853.02**



Beginning balance:
\$10,000

Length of
Contributions:
25 years

Annual pay:
\$45,000

Contribution election:
10%

Pay increase:
3% per year

Begin withdrawals in:
35 years

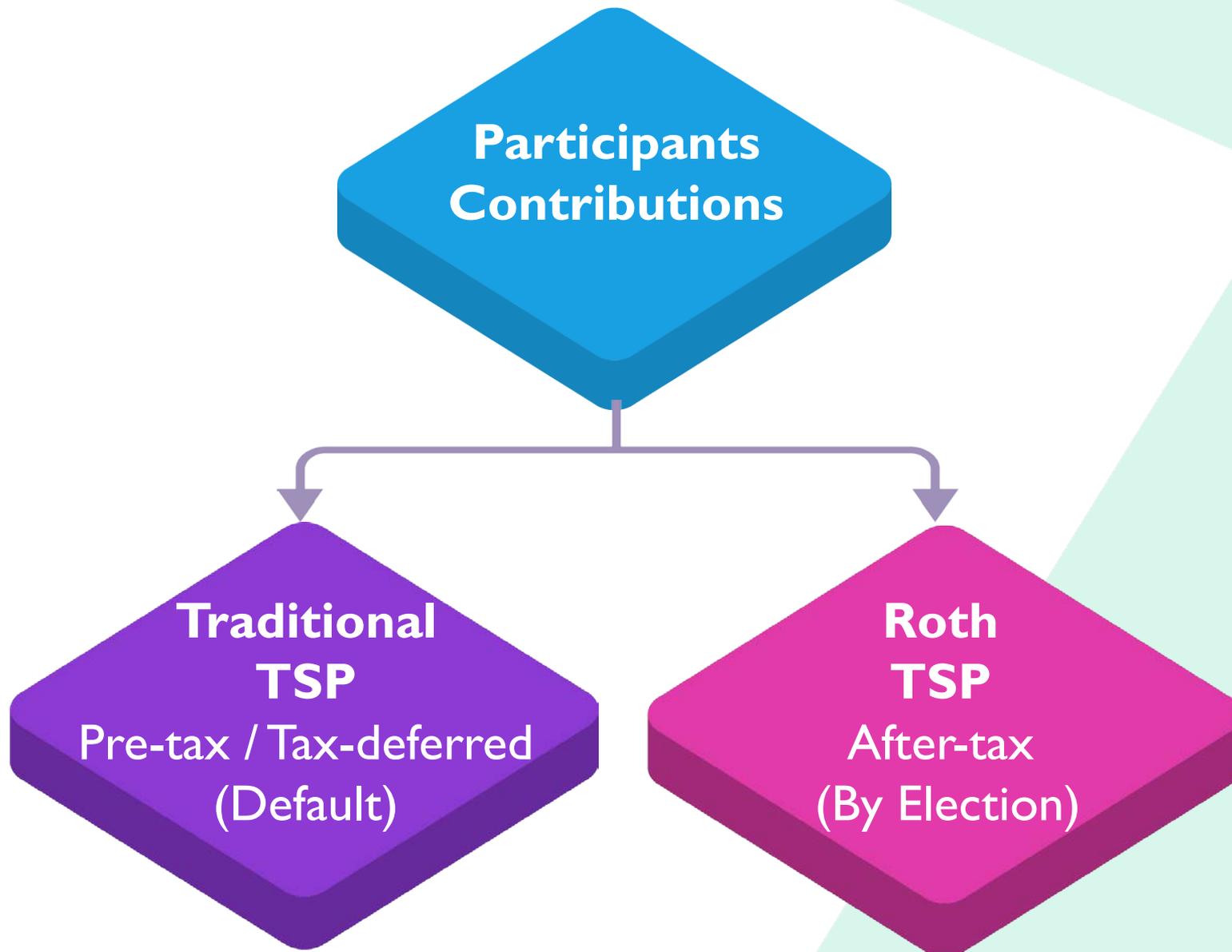
Expected Annual
return:
6%

Choosing a Tax Treatment

Traditional TSP (Tax-Deferred) or Roth TSP (After-Tax)



Choosing a Tax Treatment



Traditional TSP Contributions

- Traditional contributions are deducted from gross pay before taxes
 - Lowers current taxable income and gives a tax break today
 - BOTH contributions and earnings grow tax-deferred
- Agency Automatic 1% and Agency Matching contributions are always traditional
- Lowers Adjusted Gross Income (AGI) and may:
 - Create or enhance eligibility for the Saver's Credit
 - Increase amount of certain itemized deductions
 - Allow high-income taxpayers to make Roth IRA contributions in addition to TSP
- Both contributions and earnings are taxable as ordinary income at tax rates in effect when withdrawn



Retirement Savings Contribution Credit (Saver's Credit) AGI Limits*

Married Filing Joint	Single	Maximum Credit Per Person
Less than \$37,001	Less than \$18,500	50% of your contribution (\$1,000)
\$37,001 - \$40,000	\$18,501 - \$20,000	20% of your contribution (\$400)
\$40,001 - \$62,000	\$20,001 - \$31,000	10% of your contribution (\$200)
AGI greater than \$62,000	AGI greater than \$31,000	0% of your contribution (no Credit)

Example:

Filing Status: MFJ

Gross Income: \$41,000.00

10% (Traditional): - \$4,100.00

Taxable Income: \$36,900.00



*Columns for tax filing status Married Filing Separately and Head of Household deleted for readability. For complete information, see: IRS Form 8880, Credit for Qualified Retirement Savings Contributions

Roth TSP Contributions

- Roth contributions are deducted from gross pay after taxes
 - Does not affect current taxable income
 - Contributions will not be taxed again
 - Earnings grow tax-deferred until they become “qualified”
 - Qualified earnings are tax-free*
- Does not affect Adjusted Gross Income (AGI) and may
 - Reduce or eliminate eligibility for the Saver’s Credit
 - Reduce amount of certain itemized deductions
 - Not allow high-income taxpayers to make Roth IRA contributions in addition to TSP
- No conversions of existing Traditional TSP balance to Roth TSP permitted



*Qualification rules for distribution of Roth earnings are discussed on next slide

Roth TSP – Qualification Rules

- **Qualified earnings**

- 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
- BOTH must be met

- **Nonqualified earnings**

- Earnings are tax deferred and subject to IRS 10% early withdrawal tax unless participant meets an exception*

* One common exception is when a participant receives distributions after they've separated in the calendar year they reach age 55 or older (or in the calendar year they reach age 50 or older for certain public safety employees)



Roth TSP vs. Roth IRA Limits

	Roth Employer Plans (e.g., Roth TSP)	Roth IRA
2017 Income Limits	Available to all participants regardless of income	Not available to taxpayers with income above certain limits: MFJ - \$186,000 to \$196,000 MFS - \$0 to \$10,000 All others - \$118,000 to \$133,000
2017 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)

Moving Money From Other Plans Into TSP

Eligible Plan

Transfer (Direct)

- Eligible Employer Plans (**Traditional or Roth**):
 - 401(k), 403(b), 457(b)
 - Sep IRA, SIMPLE
- Traditional IRA (**Pre-tax only**)
- **NOT** Roth, Education or Inherited IRAs

- Money moves directly from an eligible plan or retirement account into the TSP
- Participant does not have the use of the money

Rollover (Indirect)

- Eligible Employer Plans (**Traditional only**):
 - 401(k), 403(b), 457(b)
 - Sep IRA, SIMPLE
- Traditional IRA (**Pre-tax only**)

- Participant has use of the money for 60-days
- May result in tax withholding and early withdrawal penalty if under age 59 1/2



The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file

Need to complete:

- ① Withdrawal process from eligible plan
- ② TSP-60/TSP-60R

