Exploring TSP Withdrawal Options

A NARFE Federal Benefits Institute Webinar

Presented by Tammy Flanagan

National Active and Retired Federal Employees Association
How Does the TSP Fit in Your Retirement Plan

Monthly Income
Pay off Debt
Rainy Day Fund
Leave to My Heirs
Future Health Care
How Does the TSP Fit in Your Retirement Plan

Retirement Timeline

Age 55+                  Post-Retirement                  Before Age 70 ½                  Between 62 and 70

Retirement CSRS or FERS   Part-Time Job Second Career   TSP Monthly Income   Social Security
Test Your Knowledge:

How much money is in the TSP?

$1 Billion

$500 Million

$500 Billion
Test Your Knowledge:

How much money is in the TSP:

- $1 Billion
- $500 Million
- $500 Billion

How much money is in the TSP?
# TSP by the Numbers

## Participation
- CSRS: 63.3% participation rate
- FERS: 88.9% participation rate
- 4,863,139 participants

## Plan Balance
- All: $447,859,000,000
- Roth: $3,723,000,000

## Post-Separation Withdrawals
- New Monthly Payments: > 25,000
- New Partial Withdrawals: > 25,000
- Ongoing Monthly Payments: > 90,000
- Annuities: <10,000
Current Income:
- Taxes
- Savings
- Retirement
- Insurance

Retirement Income:
- TSP
  - Taxes
- CSRS or FERS
  - Reductions
  - Taxes and Insurance
- Social Security
  - Taxes and Medicare
## Estimated Net Retirement Income Compared to Net Salary: All figures are MONTHLY

<table>
<thead>
<tr>
<th>Income and Withholdings</th>
<th>Retirement</th>
<th>Income and Withholdings</th>
<th>current salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreduced CSRS benefit</td>
<td>+ $5,546.26</td>
<td>Gross Monthly Salary</td>
<td>+ $8,366.80</td>
</tr>
<tr>
<td>Reduction for survivor annuity</td>
<td>- $554.52</td>
<td>CSRS Retirement Contributions</td>
<td>- $585.68</td>
</tr>
<tr>
<td>CSRS (or FERS) Retirement Income</td>
<td>+$4,991.74</td>
<td>Medicare Tax</td>
<td>- $119.06</td>
</tr>
<tr>
<td>Insurance: FEHB</td>
<td>- $156.24</td>
<td>OASDI Tax (FICA)</td>
<td>- $0.00</td>
</tr>
<tr>
<td>Insurance: FEGLI</td>
<td>- $33.48</td>
<td>Insurance: FEHB</td>
<td>- $156.24</td>
</tr>
<tr>
<td>Federal and State Income Tax</td>
<td>- $998.20</td>
<td>Insurance: FEGLI</td>
<td>- $33.48</td>
</tr>
<tr>
<td>Social Security Retirement</td>
<td>+ $576.00</td>
<td>Federal and State Taxes</td>
<td>- $998.75</td>
</tr>
<tr>
<td>Federal Income Tax</td>
<td>- $73.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Part B Premium (age 65)</td>
<td>- $121.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSP Monthly Income</td>
<td>+ $800.00</td>
<td>TSP Contributions</td>
<td>- $1,500.00</td>
</tr>
<tr>
<td>Federal and State Income Tax</td>
<td>- $160</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Retirement Income (CSRS, SSA and TSP)</strong></td>
<td><strong>$4,825.02</strong></td>
<td><strong>Net Monthly Income</strong></td>
<td><strong>$4,973.53</strong></td>
</tr>
</tbody>
</table>
TSP Withdrawal Timeline

Retire
One-Time Partial Withdrawal
Full Withdrawal
Final Payment
TSP Withdrawal Options

Directly From TSP
- Monthly Payments
- Cash Payment
- Annuity

Transfer to IRA
- As needed
- Monthly Payments
- Annuity
Insert Video Here

https://youtu.be/xrH0l-HA58o
Taxes and Tax Penalties

**Taxes**
- Federal
- State
- No Tax: Roth

**Penalties**
- Before 59 ½
  - Exceptions
  - After 70 ½

**Unpaid Loan Balance**
- 90 days to repay
- Taxable Distribution Form 1099
- Roll Over

**Withholdings**
- >10 years or life expectancy: Your Choice
- Lump sum or < 10 years: Mandatory 20% or more
- Required Minimum Distribution: 10% or more (W4-P)
Use the Wizard!

See how easy it is to complete this form.

Let our online wizard help you with your partial withdrawal request. Based on your answers to a series of questions, it will prefill the appropriate sections of your form and help you avoid mistakes that could cause your form to be delayed or rejected.

YES, take me to the Withdrawal Wizard.

No thanks, just download Form TSP-70.
One-Time Partial Withdrawal

THRIFT SAVINGS PLAN
REQUEST FOR PARTIAL WITHDRAWAL WHEN SEPARATED

I. INFORMATION ABOUT YOU
1. This request applies to my: ☐ Civilian Account OR ☐ Uniformed Services Account
   Last Name
   First Name
   Middle Name
   TSP Account Number
   Date of Birth (mm/dd/yyyy)
   Daytime Phone (Area Code and Number)
   Foreign address? Check here.
   Street Address or Box Number (For a foreign address, see instructions on back.)
   Street Address Line 2

II. PARTIAL WITHDRAWAL REQUEST
11. Amount you want to withdraw: $ , , , , , , , , .00 (amount must be $1,000 or more)

III. TRANSFER ELECTION
12. ☐ I would like to transfer all or a portion of my withdrawal request to an IRA or eligible employer plan. (Note: You must include the completed applicable transfer page(s) from this form with your withdrawal request package.)
IV. WITHDRAWAL ELECTION — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectance.

23. I would like to withdraw my entire account balance as follows:

   a. [ ] 0% Single Payment
   b. [ ] 0% Life Annuity (Must equal $3,500 or more. Also complete Page 6.)
   c. [ ] 0% TSP Monthly Payments → Tell us how to pay your monthly payments:

      $ [ ] [ ] [ ] .00 per month ($25.00 or more)
      OR
      [ ] Compute my payments based on my life expectancy.

   100% (Total a, b, and c)
Compute Payment Scenarios

https://www.tsp.gov/PlanningTools/Calculators/retirementCalculator.html
Compute Payment Scenarios

Monthly Payments

• Specific Dollar Amount
• Life Expectancy

Changes

• Change dollar amount annually
• One-time only: life expectancy to dollar amount
• Final cash payment
## Monthly Payments

<table>
<thead>
<tr>
<th>Age</th>
<th>Payment</th>
<th>Year-End Balance</th>
<th>Payment</th>
<th>Year-End Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
<td>$2,000.00</td>
<td>$605,354.84</td>
<td>$2,293.58</td>
<td>$601,737.20</td>
</tr>
<tr>
<td>65</td>
<td>$2,000.00</td>
<td>$610,977.42</td>
<td>$2,387.85</td>
<td>$602,399.59</td>
</tr>
<tr>
<td>66</td>
<td>$2,000.00</td>
<td>$616,881.14</td>
<td>$2,485.15</td>
<td>$601,896.11</td>
</tr>
<tr>
<td>67</td>
<td>$2,000.00</td>
<td>$623,080.05</td>
<td>$2,585.46</td>
<td>$600,131.38</td>
</tr>
<tr>
<td>68</td>
<td>$2,000.00</td>
<td>$629,588.90</td>
<td>$2,688.76</td>
<td>$597,005.51</td>
</tr>
<tr>
<td>69</td>
<td>$2,000.00</td>
<td>$636,423.19</td>
<td>$2,794.97</td>
<td>$592,414.55</td>
</tr>
<tr>
<td>70</td>
<td>$2,000.00</td>
<td>$643,599.19</td>
<td>$2,903.99</td>
<td>$586,250.64</td>
</tr>
<tr>
<td>71</td>
<td>$2,000.00</td>
<td>$650,562.91*</td>
<td>$1,843.56</td>
<td>$592,845.77</td>
</tr>
<tr>
<td>72</td>
<td>$2,000.00</td>
<td>$656,725.38*</td>
<td>$1,929.84</td>
<td>$598,707.45</td>
</tr>
<tr>
<td>73</td>
<td>$2,000.00</td>
<td>$661,996.79*</td>
<td>$2,019.93</td>
<td>$603,752.08</td>
</tr>
<tr>
<td>74</td>
<td>$2,000.00</td>
<td>$666,281.25*</td>
<td>$2,113.98</td>
<td>$607,890.00</td>
</tr>
<tr>
<td>75</td>
<td>$2,000.00</td>
<td>$669,476.35*</td>
<td>$2,212.12</td>
<td>$611,025.48</td>
</tr>
<tr>
<td>76</td>
<td>$2,000.00</td>
<td>$671,472.97*</td>
<td>$2,314.49</td>
<td>$613,056.25</td>
</tr>
</tbody>
</table>

*TSP Monthly Payments
Monthly Income by Age in Retirement

*Your Year-End Balance was further reduced due to a Required Minimum Distribution.
Compute Payment Scenarios

Purchase Life Annuity

- MetLife holds contract
- Interest rate index: 1.75% (May 2016)

Be Aware

- Permanent election
- Monthly payment depends on:
  - Age at time of purchase
  - Interest rate index
  - Annuity options (survivor benefit / inflation)
## Annuity Election

Age 66 (annuitant and spouse), $600,000 account balance, 1.75% interest rate index

<table>
<thead>
<tr>
<th>Age</th>
<th>Level Payments</th>
<th>Increasing Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100% survivor w/ Cash</td>
<td>50% survivor w/cash</td>
</tr>
<tr>
<td>66</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>67</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>68</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>69</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>70</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>71</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>72</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>73</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>74</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>75</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
<tr>
<td>76</td>
<td>$2,517.00</td>
<td>$2,986.00</td>
</tr>
</tbody>
</table>
Manage TSP in Retirement

Advantages
- Fiduciary
- L Funds
- C, F, G, S, I
- Do-it-yourself
- Low expense
- Simplicity
- Protect from creditors

Advantages
- Diversify more specifically
- Holistic plan
- Fiduciary
- Control withdrawals
Manage TSP in Retirement

Disadvantages
- Pro-rata distributions
- Limited partial distributions
- Change once / year

Disadvantages
- Cost $.29 / $1,000 / year vs. $1.25 / $1,000 / year or more!
- No guarantee to perform better
- Surrender fees / back-end charges
- Annual fees, commissions, or charges
Move Other Retirement Into TSP

Take advantage of low cost, simplicity, withdrawal options

You may transfer or roll over a traditional IRA (not a Roth IRA)

Roth or traditional 401(k), 403(b), or 457(b) into the Roth or traditional TSP

You and the retirement plan custodian must complete form TSP-60, TSP-60R

Request for a Transfer Into the TSP
Test Your Knowledge:

How many partial withdrawals can you make from the TSP?
Test Your Knowledge:

How many partial withdrawals can you make from the TSP?
How Many Partial Withdrawals?

<table>
<thead>
<tr>
<th>In-Service Withdrawal or Post-Separation Partial Withdrawal</th>
<th>TSP-75</th>
<th>TSP-77</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid TSP loan balance does not count as a partial distribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Withdrawal: Percentage as Lump Sum</td>
<td>TSP-70</td>
<td>0-100%</td>
</tr>
<tr>
<td>Final Lump Sum Payment</td>
<td>TSP-79</td>
<td>Series of Monthly Payments</td>
</tr>
</tbody>
</table>
Beneficiary Participant Accounts

Advantages
- G Fund
- Eligible for interfund transfers
- All TSP withdrawal options

Disadvantages
- Not eligible for TSP loans
- Cannot accept transfers or rollovers into BPA
- Death benefit payments: single payments
- Cannot be transferred to an IRA

Basic Information
- Required distributions based on age of deceased participant
- Designate beneficiaries using Form TSP-3
- Reference TSPBK33
Uniformed Services Retirement Modernization

More Flexible Withdrawal Options

Coming Attractions Most Require Congressional Action

Mutual Fund Window

American Savings Act
Cybersecurity Is a Big Deal

Cybersecurity is a major priority under FRTIB’s plan.

Auditors specifically pointed to FRTIB’s systems authorizations and continuous monitoring programs as needing attention.

FRTIB’s cybersecurity challenges and improvements carry more weight as the agency continues to see higher enrollment.
Resources: www.tsp.gov

Withdrawal
- TSP 77
  - Partial Withdrawal
- TSP 70
  - Full Withdrawal
- Withdrawal Booklet
- Retirement Income Calculator

Taxes
- Required Minimum Distributions
- Important Tax Information Pamphlet
- Death Benefit Payments

Post Retirement
- Beneficiary Participants
- Change Address
- Change Monthly Payment
- Cash Out
- Beneficiary Designation
Questions