



Thrift Savings Plan (TSP)

Quick Reference Guide



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FINANCIAL READINESS FOR LIFE

WHAT IS TSP?

- Long-term tax-qualified defined-contribution retirement savings and investment plan
- TSP has low expense ratios that can have positive effect on rate of return

WHO CAN PARTICIPATE?

- Members of uniformed services
- Most civilian employees of federal government

MEMBER CONTRIBUTIONS

- Service member under BRS
 - Service will establish member Traditional account at 60 days' service
 - Service will establish automatic member contribution of 5% of basic pay to Traditional account on or after 60 day's service; member can change percentage
- Unless directed otherwise, will be invested in age-appropriate L fund
- Service members can also contribute up to 100% of incentive, special, or bonus pay as long as contributing from base pay
- Catch-up contributions (age 50 and older)
 - From basic pay only
 - Stop when contribution limit reached or end of calendar year, whichever is first

SERVICE CONTRIBUTIONS

- Service members under BRS
 - Service will contribute equivalent of 1% of monthly basic pay to member Traditional account after 60 days' service
 - Service will match member contributions starting end of year 2 and ending at separation, retirement, or completion of 26 years' service
 - First 3% of member contribution matched dollar for dollar
 - Next 2% of member contribution matched 50 cents per dollar
 - Ensure via TSP website that funds are being deposited into account after being deducted from pay

CONTRIBUTION LIMITS (2021)

- Elective Deferral Limit: (\$19,500) combined total of member Traditional and Roth contributions
- Catch-up Contribution Limit (\$6,500) maximum that can be contributed in a calendar year, separate from Elective Deferral Limit, by member age 50 and over
- Annual Addition Limit (\$58,000) total of all contributions—including catch up—made on behalf of employee in calendar year; includes employee contributions, service or employer contributions, and matching contributions

TRADITIONAL/ROTH ACCOUNTS

- Traditional (pre-tax)—taxes on contributions and earnings deferred until withdrawn
- Roth (after tax)—taxes on contributions paid as being made; earnings tax free subject to IRS requirements (similar to Roth 401(k))
 - Groups that would benefit most from using Roth TSP:
 - Those who believe they will be in higher tax bracket at retirement
 - Those who want to diversify tax risk in face of uncertain future tax rules
 - Younger participants
 - Deployed service members

MEMBER CONTRIBUTIONS FROM TAX-EXEMPT PAY

- Traditional account
 - Contributions are pre-tax, Elective Deferral Limit doesn't apply
 - Catch-up contributions not allowed from tax-exempt pay
 - Annual Addition Limit applies
 - Withdrawn tax-exempt contributions tax free, but earnings taxable
 - 10% penalty for premature distribution not applied to withdrawn tax-exempt contributions

- Roth account
 - Contributions tax free because pay is tax free; all contributions subject to Elective Deferral Limit
 - Catch-up contributions allowed from tax-exempt pay, subject to Catch-up Contribution Limit
 - Annual Addition Limit applies
 - Withdrawn contributions tax free; earnings tax free if “qualified” under IRS regulations
 - 10% penalty for premature distribution not applied to withdrawn tax-exempt contributions

INVESTMENT FUNDS (6 FUND CATEGORIES)

- G: government securities—low risk
- F: Fixed income—low to moderate risk
- C: Common stock—moderate risk
- S: Small cap fund—moderate to high risk
- I: International stock—moderate to high risk
- L: Lifecycle—risk varies with time objective (10 funds: L Income through L2065)
 - Each L Fund uses a mix of other 5 fund categories for its particular time horizon

AVAILABILITY OF ASSETS

- TSP loan
 - Minimum \$1,000, maximum is smallest of:
 - Own contributions and earnings on those contributions, or
 - 50% of vested account balance, or
 - \$50,000
 - \$50 loan fee
 - Loan paid back by payroll deduction
 - Interest rate charged is G fund return rate at time loan is processed
 - General purpose loan
 - No documentation required
 - 1 to 5 year repayment
 - Buy or construct primary residence loan
 - Documentation required
 - 1 to 15 year repayment
 - Service member must be in pay status
 - Service member's spouse must provide consent
- In-service withdrawal
 - Minimum \$1,000
 - Cannot return money to account
 - Subject to income tax
 - May be subject to 10% IRS early withdrawal penalty
 - Spouse must provide consent
 - Financial hardship

- Recurring negative monthly cash flow, medical or legal expenses, personal casualty losses
- May continue to contribute to account
- Only 1 financial hardship withdrawal allowed per 6-month period
- Age-based
 - At least age 59½
 - No early withdrawal penalty
 - May take up to 4 per calendar year
- Upon leaving military service/government employment
 - Leave funds in TSP
 - Vested balance must be at least \$200
 - Must start withdrawing at age 72
 - Consolidate other funds in TSP
 - Withdraw funds (required at age 72)
 - Without penalty:
 - Roll into personal IRA
 - Take TSP annuity
 - Wait until on or after age 59½
 - If with penalty, pay 10% early withdrawal tax in addition to income tax



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