



THRIFT
SAVINGS
PLAN

PART II

As of August 2009

TSP Overview

Part II – “Money Out”

- ✓ Loan program
- ✓ In-service withdrawals
- ✓ Post-service withdrawals
- ✓ Death benefits

Types of Loans



and



General Purpose
No documentation required

Residential
For purchase or construction
of a primary residence

Terms

- ◆ Minimum Term: 1 year
- ◆ Must be in pay status
- ◆ Maximum Term
 - General purpose = 5 years
 - Residential loan = 15 years
- ◆ General purpose and residential loans must be repaid by the (5th or 15th) anniversary from disbursement

Cost of a Loan



- ◆ \$50.00 fee
 - Fee deducted from amount of loan disbursed to participant
- ◆ Interest Rate
 - Based on G fund rate at time application is processed
 - Fixed for life of the loan
 - Not tax deductible
- ◆ Both the principal and interest are repaid to your account

Applying for a Loan

- ◆ Participants may have one residential and one general purpose loan outstanding at the same time
- ◆ When a loan is paid in full, including through prepayment, there is a 60-day waiting period before another like loan application is accepted by the TSP
- ◆ Application can be submitted using Form TSP-20 or TSP-U-20
 - Fillable version under Account Access
 - Form version mailed or faxed to TSP for processing
- ◆ Application can be initiated by using the Account Access section of the TSP Web site

Spouse's Rights - Loans

- ◆ Married FERS and uniformed services participants must obtain spouse's consent on loan agreement
- ◆ CSRS and unmarried participants requesting a general purpose loan can complete the loan process on the TSP Web site
 - Notification is sent to the spouse of married CSRS participant within two days of the submission of the loan application

Disbursement of a TSP Loan

- ◆ Payment made by check
 - Based on the address of record on file
 - Address printed on the loan agreement may differ from address the participant provided on the loan application

- ◆ Payment via EFT
 - Can request EFT by providing routing information on loan agreement
 - Option available only if loan agreement is mailed or faxed

Repaying the Loan

- ◆ Payroll deduction based on scheduled of loan payments
 - Participant must make up missed payments via check
 - Participant may not request TSP terminate loan payments

- ◆ Participants may send checks to make loan payments in addition to payroll deduction
 - Personal checks, money orders or cashier's checks are accepted
 - Loan coupon must accompany these payments

- ◆ Multiple voluntary reamortizations
 - Participant may reamortize on TSP Web site or by calling the TSP
 - The new loan payment amount is provided to the payroll office on its loan report and the participant is mailed a reamortization notice

TSP Taxable Distributions

◆ Default

- All scheduled loan payments must be made by the participant
- The loan must be repaid no later than the 5/15 anniversary date from disbursement
- At the end of each quarter, if a participant has missed or made insufficient payments equal to 2 ½ payments, the TSP must send a default notice requiring the participant make up the default amount by the end of the following quarter
- If the entire default amount is not posted to the account by the end of the applicable quarter, a taxable distribution is declared on the outstanding loan balance
 - Participants will be prohibited from obtaining another TSP loan for 12 months
- The only exception to making up missing payments is if the participant is in a nonpay status; the IRS requires the TSP suspend loan payments during this period
 - Participants in nonpay status must request their agency/supervisor complete Form TSP-41 and send it to the TSP record keeper

TSP Taxable Distributions

- ◆ Leaving federal or uniformed service
 - Separated participant will still receive a notice with 90 days to pay the outstanding loan balance
 - A full or partial payment(s) may be submitted by check during the 90 day period
 - Partial payments will reduce the taxable distribution that will be declared on the remaining outstanding loan balance
 - Taxable distributions are effective after 90 days from receipt of separation information or generation of the notice
 - Participants not repaying the loan balance can request an acceleration of the taxable distribution date by signing the intent block on the notice and fax or mail to the TSP

- ◆ Death in service
 - Effective as of date of death or last loan payment

Withdrawal Rules for Married Participants

- ◆ Married FERS and uniformed service participants must print their withdrawal form from the web site, obtain notarized spouse's signature, and return the withdrawal request to the TSP record keeper for processing and completion
- ◆ Spousal notification will be sent to the spouse of married CSRS participants applying for a TSP withdrawal within two days of the submission of the withdrawal application. The withdrawal will not disburse earlier than 2 business days from submission of the withdrawal application
- ◆ Unmarried participants requesting either an in-service or post-service withdrawal can complete and, in some cases, submit forms on the Web site

In-Service Withdrawals

- ◆ Financial hardship withdrawals
- ◆ Age-based withdrawal
 - Age 59½ or older



In-Service Withdrawals

◆ Financial Hardship

- Form TSP-76 or TSP-U-76 can be submitted on the TSP Web site unless notarized spouse signature is required
- No documentation required
- Request must be for at least \$1,000
 - TSP will disburse requested amount or amount of employee contributions and earnings (whichever is less), but not less than \$1,000
- Can request payment made via EFT (option available only if request faxed or mailed)
- TSP will withhold 10% for Federal taxes unless participant requests more or less using Form W-4P

In-Service Withdrawals

◆ Financial hardship rules/requirements

- Participant certifies the conditions required to request a hardship withdrawal are met
 - Negative monthly cash flow, medical expenses, personal casualty loss, legal expenses for attorney fees and court costs associated with separation or divorce
- Participants in Chapter 13 bankruptcy can request a hardship withdrawal for medical, personal casualty loss, or legal divorce expenses; cannot request a withdrawal due to negative cash flow
- Agency/Service must terminate participant contributions for six months
 - Agency matching contributions for FERS participant will also stop
 - FERS participants will continue to receive agency automatic (1%) contributions
- Must wait six months after receiving a hardship withdrawal before requesting another
- Early withdrawal penalty of 10% applies if participant is not age 59½ in the year the financial hardship in-service withdrawal is disbursed

In Service Withdrawals



- ◆ Age-based
 - Must be age 59½ or older
 - One-time withdrawal of all or a specific dollar amount of the account balance
 - Request can be initiated and, for some, completed on the TSP web site. Other participants must mail completed form to the TSP for processing
 - Can request payment by EFT (option available only if request is mailed or faxed)
 - All or a portion can be transferred to an traditional IRA or other eligible plan (no Federal tax at time of transfer)
 - All or a portion can be transferred to an Roth IRA (subject to Federal tax but no withholding)
 - Amount not transferred to an IRA or other eligible plan subject to mandatory 20% tax withholding
 - Will prohibit participant from receiving a partial post-service withdrawal after separation

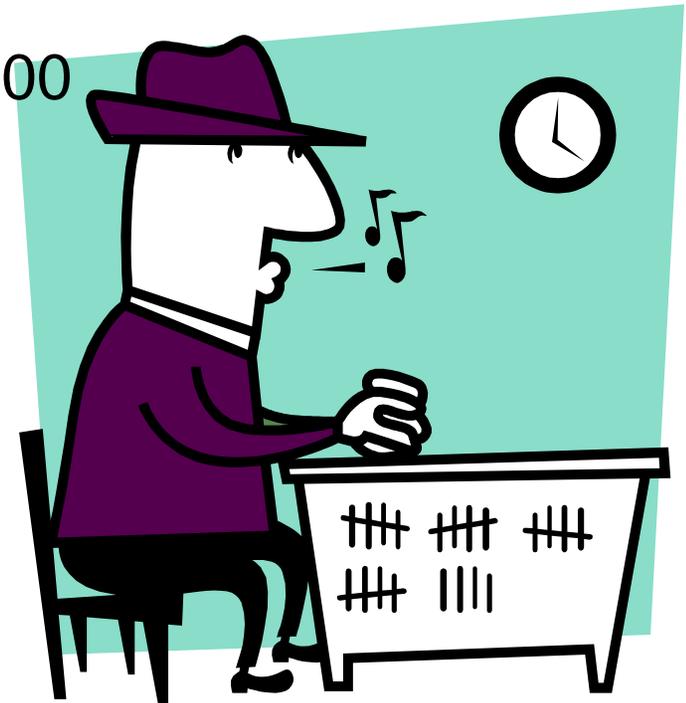
Roth IRA

- ◆ Roth IRA transfer rules
 - Participant can transfer any dollar amount to a Roth IRA
 - Participant can transfer all or any portion of a single payment or monthly payments expected to last for less than 10 years
 - Roth IRA accepts only after-tax dollars, but provides tax-free growth
 - No income tax will be withheld on a Roth IRA transfer
 - Entire amount transferred to a Roth IRA will be taxed for the year of the transfer
 - Participant may need to pay estimated taxes to mitigate tax liability
- ◆ Participant not eligible for a Roth IRA transfer if
 - Modified adjusted gross income is over \$100,000*
 - Married and file a separate return

*Note: Beginning 2010 the income restriction is eliminated

Post-Service Withdrawal Options

- ◆ Automatic cashout
- ◆ Leaving money in the TSP
- ◆ Combining TSP Accounts
- ◆ Partial Withdrawal of at least \$1,000
- ◆ Full Withdrawal Options
 - Single payment
 - Monthly payments
 - TSP Life annuity
 - \$3,500 minimum
- ◆ Mixed Withdrawal Options



As of August 2009

Automatic Cashout

- ◆ Separated participants with a vested account balance of less than \$200 will receive an automatic cashout
 - Account balances of \$4.99 or less will be forfeited to the TSP
 - Participant may request restoration and payment of the forfeited balance
- ◆ The account will be paid automatically after the participant is separated for more than 31 days
 - No notification prior to disbursement
- ◆ Participant may not elect to leave the balance in the TSP
- ◆ Amount not subject to the mandatory 20% Federal tax-withholding

Leaving Money in the TSP

- ◆ Participant must update address by using any of the following:
 - Using TSP Account Access section of the TSP Web site
 - By phoning the TSP record keeper
 - Submitting Form TSP-9
- ◆ Contributions may not continue, but participant may transfer in amounts from traditional IRAs or eligible employer retirement plans
- ◆ Participant may continue to make interfund transfer and contribution allocation requests
- ◆ By April 1st, after you turn 70½ and are separated from service, you must begin a full withdrawal election from your TSP account

Combining Uniformed Services and Civilian TSP Accounts After Separation

- ◆ Only the account related to the separation can be transferred
- ◆ TSP accounts can be combined provided that monthly payments are not being made from the remaining account
- ◆ TSP cannot transfer the tax-exempt portion in a uniformed services account to a TSP civilian account
- ◆ If married and transferring the uniformed services account to a Civil Service Retirement System (CSRS) account, spouse must sign consent section on Form TSP-65

Partial Withdrawal

- ◆ One-time request for the “life” of the account
 - Participant must not have received an age-based withdrawal
 - Participant must not have received a partial withdrawal from a prior period of employment
 - Form TSP-77 or TSP-U-77 may be submitted via the web or mailed to TSP

- ◆ Minimum amount that can be withdrawn is \$1,000
 - If the account balance is less than \$1,000, the participant must submit a request for a full withdrawal

- ◆ Single payment only
 - Participant may request payment by EFT (option available only if request is mailed or faxed)
 - Subject to mandatory 20% tax withholding
 - Any amount not transferred subject to mandatory 20% tax withholding

- ◆ All or a portion can be transferred to a traditional IRA or other eligible plan

- ◆ Participant may request a transfer of all or a portion of the payment to a Roth IRA (subject to Federal tax but no tax withholding)

Single Payment Option

- ◆ Participant may request TSP pay any percentage of the account balance as a single payment
- ◆ Participant may request payment by EFT (option available only if request is mailed or faxed)
- ◆ Participant may request a transfer of all or any portion of the single payment to a traditional IRA, Roth IRA, or other eligible plan (amount not transferred is subject to mandatory 20% tax withholding)

Monthly Payments

- ◆ Specify a dollar amount (\$25.00 minimum)
 - Participants scheduled to receive fewer than 120 payments can transfer all or a portion of each monthly payment to either a traditional or Roth IRA
- ◆ Request TSP compute monthly payment (based on IRS tables)
- ◆ The TSP Web site has a monthly payment calculator to estimate monthly payment amounts
- ◆ TSP cannot currently accept transfers/rollovers once monthly payments begin

Changes to Monthly Payments

- ◆ Participant may complete Form TSP-73 or TSP-U-73 to request a change in monthly payments from:
 - Compute my payment to dollar amount
 - Current dollar amount to new dollar amount
 - Change in monthly payments are effective in January of the following year
 - Percentage transferred or financial institution may be changed at any time
- ◆ Tax withholding rules will be determined when the monthly payment option is processed or when a change in monthly payments occurs

Summary of Life Annuity Options

◆ Single Life

– Level or Increasing Payments, with:

- 10- year certain
- cash refund feature
- no added features

◆ Joint Life with Spouse

– Level or Increasing Payments, with:

- 50 or 100% survivor benefit and;
- cash refund feature

◆ Joint Life with Other Survivor

(having an insurable interest)

– Level Payments only, with:

- 50 or 100%* survivor benefit and;

* 100% survivor benefit not available if joint annuitant is more than 10 years younger

- cash refund feature

The TSP Web site has an annuity calculator to estimate annuity payments

Spouse's Rights

Classification	Requirement*	Exceptions**
FERS/ Uniformed Services	Notarized spouse signature required. Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless he/she waives this right	Whereabouts unknown or exceptional circumstances TSP-16 or TSP-U-16 required
CSRS	Spouse is entitled to notification by the TSP of the participant's withdrawal election	Whereabouts unknown TSP-16 or TSP-U-16 required

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

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



IRS Early Withdrawal Penalty

- ◆ If you separate/retire during or after the year in which you reach age 55, you are **not** subject to the early withdrawal penalty
- ◆ TSP withdrawals received at age 59½ or later are not subject to the early withdrawal penalty
- ◆ Exceptions to the early withdrawal penalty
 - Total and permanent disability
 - Purchase of a TSP life annuity
 - Request TSP “compute my payments” based on life expectancy
 - Death benefit payouts

TSP Death Benefits

◆ To Whom

- Based on Form TSP-3 or TSP-U-3, Designation of Beneficiary
 - Participant responsible for mailing or faxing form directly to TSP
 - Do not submit forms to agency

If there is no TSP-3 or TSP-U-3 on file at the TSP, then statutory order of precedence:

- Spouse, natural and adopted children, parents, estate, next of kin

◆ How

- Form TSP-17 or TSP-U-17, Information Relating to Deceased Participant
- Paid as a single payment
- Spouse can transfer all or a portion of entitled amount to
 - Traditional or Roth IRA, eligible employer plan, his/her TSP account (no taxes withheld)
 - Amount not transferred subject to mandatory 20% Federal tax withholding
- Other beneficiaries can transfer entitled amount to
 - An Inherited IRA
 - Amount not transferred to an Inherited IRA subject to 10% Federal tax withholding

TSP Death Benefits

- ◆ Benefits of an Inherited IRA
 - Allows beneficiaries, other than spouse, to take the IRS minimum required distribution amount based on their age
 - If a 24-year-old beneficiary's entitled amount is \$100,000, the IRS minimum required distribution must start by December 31 the year following the TSP participant's death
 - The first year IRS minimum required distribution would be \$1,720 based on age 25
 - The remaining balance continues to grow tax deferred
 - Each year the IRS minimum required distribution increases slightly providing a lifetime benefit

- ◆ Beneficiaries must select this option at the time the entitlement is disbursed
 - Beneficiaries select a financial institution that provides inherited IRAs
 - Inherited IRAs are complicated and a tax advisor or IRA provider should be contacted to discuss this benefit