

Thrift Savings Plan Basics



The Thrift Savings Plan (TSP) is an optional retirement savings and investing plan designed to supplement (not replace) the military retirement check. It can provide retirement income in addition to your military pension and Social Security, helping to build financial stability and independence at retirement.

Description and Benefits

- Defined-contribution plan, like a 401 (k).
- All contributions and earnings belong to the owner.
- Portable—you can take it with you to another employer or to a tax-deferred plan.
- Choice of tax treatments for contributions:
 - Traditional (pre-tax) contributions and tax-deferred investment earnings.
 - Roth (after-tax) contributions as a percentage of pay with tax-free earnings at retirement if you satisfy the IRS requirements.
- Choice of investment options.
- Flexible withdrawal/transfer options upon separation from service.
- Individual accounts.
- Personal identification number (PIN) for account access.
- Beneficiary designation.
- Money is invested at all times.
- No sales charges or account fees; very low fund expenses.
- Can join at any time.

Participation Rules

- Open to uniformed Service Members.
- Can contribute up to 100% of base pay per year (elective deferral).
- Can contribute up to 100% of Special and Incentive pays (including bonuses) per year (elective deferral).
- Total annual contributions cannot exceed \$18,000 (2015) (IRS regulations).
- Contributions come directly from pay (unless traditional IRA rolled into TSP).
- Tax-free zone contributions up to \$53,000 per year (2015).
- Tax-free zone contributions accounted for separately (once tax-free, always tax-free).

Thrift Savings Plan Basics



Investment Options

G Fund: Government Securities Investment Fund

- Managed by Thrift Investment Board.
- U. S. Treasury securities.
- Rate set monthly by Treasury Department.
- No negative return in its history.
- Generally, the lowest returns over the long term: 10-year average 3.19% (2014).

F Fund: The Fixed Income Investment Fund

- Tracks Barclay’s Capital U. S. Aggregate Index.
- High-quality notes and bonds (no junk bonds), representing all areas of investment-grade bond market.
- Some interest-rate risk, moderate return: 10-year average 6.66% (2014).

C Fund: Common Stock Index Investment Fund

- Tracks S&P 500 Index.
- Common stocks of 500 largest U. S. corporations.
- Represent all sectors and industries of the U. S. stock market (about 75% of the total market).
- Moderate to high risk, higher potential return: 10-year average 7.72% (2014).
- Average return since inception (1988) is 10.43% .

S Fund: Small Cap Stock Index Investment Fund

- Tracks the Dow Jones U. S. Completion Total Stock Market Index.
- Represents all listed public companies in the U. S. stock market that are not in the S&P 500.
- High risk, potentially higher return: Average return since inception (May 2001) 9.19% (2014) and a ten-year return of 9.44%

I Fund: International Stock Investment Fund

- Tracks the Morgan Stanley EAFE Index.
- Diversified holdings from 22 countries in Europe, Australia, Asia, and the Far East.
- Additional political risk and foreign-currency risk.
- Highest risk and high potential return: Average return since inception (May 2001) 4.56% (2015) and a ten-year return of 4.58%.

L Funds: Lifecycle Funds

- Five funds that are different combinations of the G, F, C, S, and I Funds.
- Mixes are tailored to different time horizons based on year of retirement.
- Diversification across other funds provides the highest possible rate of return for the amount of risk taken.
- Annual Returns:

Year	L Income %	L 2020 %	L 2030 %	L 2040 %	L 2050 %
2010	5.74	10.59	12.48	13.89	—
2011	2.23	0.41	-0.31	-0.96	—
2012	4.77	10.42	12.61	14.27	15.85
2013	6.97	16.03	20.16	23.23	26.20
2014	3.77	5.06	5.74	6.22	6.37

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Loans

- Borrowed from personal account.
- General-purpose loan: Repay in one to five years.
- Primary residence loan: Repay in one to fifteen years.
- Minimum amount: \$1,000.
- Maximum amount: the lesser of either one-half of the account balance or \$50,000. Not a substitute for an emergency fund.
- Must be repaid in full before separating from service.

Withdrawals

- In-service withdrawals are not recommended. Money withdrawn while in service cannot be returned or repaid to the TSP account. Also, you are subject to income taxes on in-service withdrawals except for tax-exempt or Roth contributions.
- After leaving service, many withdrawal options for tax-deferred money:
 - Cash-out: Taxes and penalties may apply.
 - Leave in TSP: Will continue to grow; can still move money around; cannot make additional contributions.
 - Transfer to next employer's 401 (k).
 - Transfer to traditional IRA.
 - TSP Annuity option.
- Traditional (non-Roth) contributions to the TSP account are tax-deferred and earnings are taxable when withdrawn.
- Roth contributions are tax-free if five years have passed since January 1 of the calendar year in which the first Roth contribution was made and the account holder is age 59 1/2 or older.

Forms

- TSP-1 (TSP-U-1): Enrollment; increase contributions; decrease contributions; stop contributions
- TSP-3: Beneficiary designation
- TSP-60-R: Request for a Transfer
- TSP-60: Request for a Roth Transfer
- TSP-26: Loan repayment coupon
- TSP-9: Change in Address for a Separated Participant

Resources

- TSP website: <http://www.tsp.gov>
- Financial Calculators:
 - TSP website
 - <http://www.militaryonesource.mil>
- TSP ThriftLine
 - (877) 968-3778
 - (404) 233-4400 (OCONUS)
- Installation Personal Financial Counselors
- Booklets available from TSP website:
 - TSP Benefits for Uniformed Services Members
 - Managing Your Account
 - TSP Loan program
 - In-Service Withdrawals
 - Annual Limit on Elective Deferrals
 - Withdrawing Your TSP Account After Leaving Federal Service