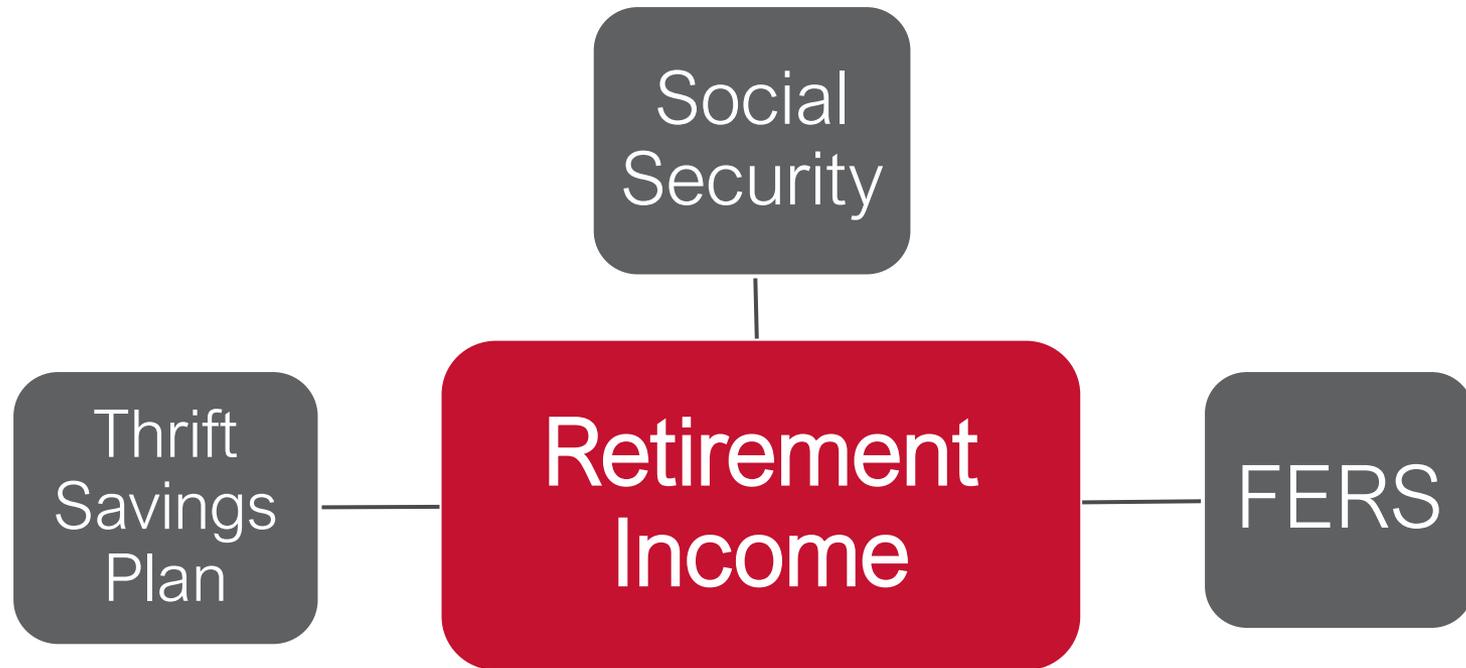


Federal Employee Benefits Webinars

- ❑ Federal Employee Retirement System (FERS)
- ❑ Social Security Benefits (SS / SSDI)
- ❑ **Thrift Savings Plan (TSP)**
- ❑ Insurance Benefits (Health, FEGLI, Medicare)

Three Sources of Retirement Income





What You Need to Know About Your Thrift Savings Plan (TSP)

Stephanie Summers, ChFEBCSM, RFC, MBA
Jeremiah Thompson, CFP[®], MSPFP

What is Thrift Savings Plan?

- It is a special tax deferred savings program similar to the 401(k) plan used in private industry
 - ▣ It is a defined contribution plan.
- It is governed by the Federal Retirement Thrift Investment Board (5 members + 1 executive director)

Benefits to Saving in TSP



CONTRIBUTING TO
YOUR RETIREMENT
SAVINGS



PRE-TAX
SAVINGS



PAY YOURSELF FIRST
(USING DOLLAR
COST AVERAGING)



SIMPLE AND
FLEXIBLE



AGENCY
CONTRIBUTIONS
(FERS ONLY)

Future Retirement Income

Based on:

- ❑ Amount you invest
- ❑ Investment choices
- ❑ When you begin to invest
- ❑ Earnings throughout career
- ❑ Consistency with which you invest
- ❑ Method you choose for withdrawal
- ❑ Roth vs. Traditional balance



Online Calculators

Help track estimates:

- ❑ Growth of Future Contributions and Earnings
- ❑ Growth of Existing Account
- ❑ Loan Calculator
- ❑ Elective Deferral Calculator
- ❑ Federal Employees Retirement Calculator
- ❑ Retirement Planning Ballpark Estimator



Traditional vs. Roth

Traditional	Roth
Contributions pre-tax	Contributions after-tax
Earnings tax-deferred	Earnings tax-free*
Withdrawals taxed as ordinary income	Withdrawals tax-free
Subject to Required Minimum Distributions (RMD)	Not subject to Required Minimum Distributions (RMD)



*only after 59 ½ and five years



Example: Traditional vs. Roth

\$100,000 salary	Traditional	Roth
10% TSP contribution	\$10,000/yr	\$10,000/yr
Annual tax savings*	\$2,900	\$0
Tax savings over 30 years*	\$87,000	\$0
Approximate balance after 30 years at 6%*	\$841,000 (100% taxable)	\$841,000 (100% tax-free)
Tax on withdrawal*	\$243,890	\$0

\$156,890 TOTAL TAX SAVINGS WITH ROTH TSP



*Assumes 24% federal tax and 5% state income tax. Hypothetical rate of return of 6% annually for 30 years. For illustrative purposes only. Does not indicate any actual return. Actual results will depend on actual performance of TSP funds and are not guaranteed. Investments can lose value. Consult with a tax advisor.



Investment Funds

- Five individual funds which are a series of unmanaged index funds
 - ▣ G, F, C, S, and I

- Lifecycle funds
 - ▣ Comprised of the five underlying individual funds

- Mutual fund window (MFW)
 - ▣ Offers roughly 5,000 mutual funds in roughly 300 mutual fund families, including those offered by Fidelity, T. Rowe Price, and Vanguard

Individual Funds

	Investments	Objective	Type of Risk	Volatility
G	Government securities	Interest income without risk of loss of principal	Inflation Risk	Low
F	Bonds- government, corporate, and mortgage-backed	Match Barclays US Aggregate Bond Index*	Market, Credit, Prepayment, and Inflation risks	Low to moderate
C	Stocks of large and mid-sized US companies	Match S&P 500 Index*	Market and Inflation risks	Moderate
S	Stocks of small to mid-sized US companies	Match Dow Jones US Completion TSM Index*	Market and Inflation risks	Moderate to high
I	International stocks of developed countries	Match MSCI EAFE Index*	Market, Currency and Inflation risks	Moderate to high



*Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses.



Lifecycle Funds

L
funds

Investments	Objective	Type of Risk	Volatility
Invested in a mix of the G, F, C, S and I funds	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I funds	Exposed to all of the types of risk to which the individual TSP funds are exposed	Asset allocation shifts as time horizon approaches to reduce volatility. L2050= highest volatility L Income = Lowest Volatility

*Indices are unmanaged and cannot be invested into directly. The S&P 500 index is an unmanaged group of securities considered to be representative of the stock market in general. The Barclays Capital US Aggregate Bond Index includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year. The Dow Jones US Completion Total Stock Market Index is a subset of the Dow Jones U.S. Total Stock Market Index that excludes components of the S&P 500. The MSCI EAFE Index is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada.



Mutual Fund Window

Investments	Objective	Type of Risk	Volatility
Roughly 5,000 mutual funds to choose from	Provide you a greater investment flexibility. You decide on the choice of available mutual funds	Exposed to all types of risk such as credit risk, inflation risk, market risk, etc.	Various (Low to High)

Mutual Fund Window: Rules

- You may not invest more than 25% of your total account balance in the mutual fund window at any time.
- Your initial transfer to the mutual fund window must be \$10,000 or more.
 - Must have at least \$40,000 in your TSP account to participate
- Fund transfers, along with reallocations, are limited to two transactions per month.
 - An exception: There are no limits on fund transfers if moving money into the G fund
- Can't withdraw directly from mutual fund window account. Will need to sell shares and transfer back to TSP to withdraw.
- Additional fees: an administrative fee of \$55 annually; an annual maintenance fee of \$95; a per trade fee of \$28.75; and internal investment expenses.

Contributions (FERS only)

Your Contribution	Government Contribution
0%	1%
1%	2%
2%	3%
3%	4%
4%	4.5%
5%	5%
6% or more	5% (Maximum Match)

Maximum Employee Contribution: \$20,500 in 2022



\$20,500 divided by 26 pay periods =
\$788.46 contribution per pay



TSP Catch-Up Contributions

- Employees age 50 and over
- Catch up contribution amount: up to \$6,500 in 2022
 - ▣ In addition to the normal IRS limit: \$20,500 in 2022



Loan Program

- Two types you may receive: General purpose or residential
 - ▣ Amounts- \$1,000-\$50,000, but can not exceed 50% of TSP balance
 - ▣ G Fund interest
 - ▣ Repay through payroll deductions

- At retirement or separation
 - ▣ Pay back loan in a lump sum payment, or
 - ▣ Outstanding balance declared a taxable distribution



In-Service Withdrawal Program

- Financial hardship
 - ▣ Medical expenses
 - ▣ Legal expenses for separation or divorce
 - ▣ Negative monthly cash flow

- Age-based
 - ▣ 59 ½ or older can withdraw all or any portion of the vested account
 - ▣ Cash out or rollover

At Retirement or Separation

- Continues:
 - Interfund transfers
 - TSP account continues to grow (or sustain losses)
 - Account remains tax-deferred
 - Required Minimum Distribution (RMD): begins at age 72

- Stops:
 - Additional contributions
 - Loans



Options at Retirement or Separation

- Leave money in TSP until age 72 or until April 1st of year following separation from Federal service, if already age 72 or older when separating
- Single Lump Payment: 20% federal tax withholding. Additional 10% IRS penalty if under age 55
- Rollover TSP Account (all or a part of a single payment, or a series of monthly payments) to IRA or other qualified plan
- Annuitize



Withdrawal Options

Age-based withdrawals (after 59 ½)	Up to four age-based withdrawals per year. Can still take partial withdrawal after separation
Partial Withdrawals after separated	Can take unlimited number of partial withdrawals but not more frequently than once per month
Periodic payments	Can be started or stopped any time. Amount and frequency can be changed anytime. Can take monthly, quarterly, or annually
Roth balances	Withdrawals can be taken from either Roth or Traditional, or both
Age 72	Must set up Required Minimum Distributions as required by IRS but do not need to liquidate entire balance

Withdrawal Options: Rollover

- Will transfer your account to an IRA or other eligible retirement plan if you choose
 - You gain more control of your investment
 - You have more investment options
 - You have access to a professional money manager

However

- Early withdrawal penalties may apply to amounts received before age 59 ½ from IRAs. TSP allows penalty-free withdrawals after age 55.
- Investment fees/expenses are likely higher outside of the TSP



Withdrawal Options: Lifetime Annuity

TSP can purchase a lifetime annuity: monthly payment based on options, your age, joint annuitant's age, account balance, market rate at time of purchase.

TYPE	PAYMENTS	FEATURES
SINGLE LIFE	LEVEL or INCREASING	CASH REFUND 10-year CERTAIN
JOINT LIFE WITH SPOUSE	LEVEL or INCREASING	100% survivor annuity 50% survivor annuity 100% survivor/cash refund 50% survivor/cash refund



Lifetime Annuity: Advantages / Disadvantages

Advantages

- Steady income for life
- No market risk
- Do not have to manage investments
- May have more options than a privately purchased annuity
- Offers a joint life annuity

Disadvantages

- Cannot be cancelled or changed
- Takes many years to recover the original investment
- No access to your original investment
- May not keep up with inflation/cost of living increases

Spouse's Rights

- Loans: married FERS needs spousal consent
- In-Service Withdrawal: married FERS needs spousal consent
- After separation: married FERS is entitled to joint annuity with spouse, 50% survivor annuity, level payments, no cash refund

Conclusion

www.kramerwealth.com

240.439.6889 VP | 240.379.6929 V
info@kramerwealth.com



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