Federal Employee Benefits Webinars

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

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Three Sources of Retirement Income

Social Security

Retirement Income

Thrift Savings Plan

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

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions pre-tax</td>
<td>Contributions after-tax</td>
</tr>
<tr>
<td>Earnings tax-deferred</td>
<td>Earnings tax-free*</td>
</tr>
<tr>
<td>Withdrawals taxed as ordinary income</td>
<td>Withdrawals tax-free</td>
</tr>
<tr>
<td>Subject to Required Minimum Distributions (RMD)</td>
<td>Not subject to Required Minimum Distributions (RMD)</td>
</tr>
</tbody>
</table>

*only after 59 ½ and five years
## Example: Traditional vs. Roth

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

$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

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

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

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

*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

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

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**Investments Objective Type of Risk Volatility**
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)

<table>
<thead>
<tr>
<th>Your Contribution</th>
<th>Government Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>4%</td>
<td>4.5%</td>
</tr>
<tr>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>6% or more</td>
<td>5% (Maximum Match)</td>
</tr>
</tbody>
</table>

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 1\textsuperscript{st} 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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age-based withdrawals (after 59½)</strong></td>
<td>Up to four age-based withdrawals per year. Can still take partial withdrawal after separation</td>
</tr>
<tr>
<td><strong>Partial Withdrawals after separated</strong></td>
<td>Can take unlimited number of partial withdrawals but not more frequently than once per month</td>
</tr>
<tr>
<td><strong>Periodic payments</strong></td>
<td>Can be started or stopped any time. Amount and frequency can be changed anytime. Can take monthly, quarterly, or annually</td>
</tr>
<tr>
<td><strong>Roth balances</strong></td>
<td>Withdrawals can be taken from either Roth or Traditional, or both</td>
</tr>
<tr>
<td><strong>Age 72</strong></td>
<td>Must set up Required Minimum Distributions as required by IRS but do not need to liquidate entire balance</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>TYPE</th>
<th>PAYMENTS</th>
<th>FEATURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINGLE LIFE</td>
<td>LEVEL or INCREASING</td>
<td>CASH REFUND 10-year CERTAIN</td>
</tr>
<tr>
<td>JOINT LIFE WITH SPOUSE</td>
<td>LEVEL or INCREASING</td>
<td>100% survivor annuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50% survivor annuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% survivor/cash refund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50% survivor/cash refund</td>
</tr>
</tbody>
</table>
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