Thrift Savings Plan

MANAGING YOUR ACCOUNT

July 2004

Check List for New Participants

- ✓ Safeguard your PIN when you receive it.
- ✓ Read about your TSP investment options and decide how you want to invest your account.
- ✓ Make a *contribution allocation* to direct the way your future contributions are invested.
- ✓ Make an *interfund transfer* to move your existing account into the funds of your choice.
- ✓ Decide whether you want to designate beneficiaries for your account.
- ✓ Learn more about the TSP. If you don't have a copy of the Plan Summary, ask your agency or service for one.
- ✓ All forms and publications referred to in this booklet are available from your TSP representative or the TSP Web site at www.tsp.gov.

Welcome to the Thrift Savings Plan!

The TSP offers these important features to help you save for retirement:

- Your contributions and earnings are *tax-deferred*. You pay no Federal income taxes on the money until you withdraw it from the Plan. (Contributions from pay earned by uniformed services members while serving in a combat zone are *tax-exempt* — you never pay taxes on this money.)
- FERS employees are eligible for agency contributions.
- You can choose among five diversified investment funds.
- You can transfer money from other eligible employee plans or IRAs to your TSP account.
- If you are age 50 or older, you may be able to make additional catch-up contributions.
- You can borrow from your account.
- You can make an in-service withdrawal for financial hardship or after age 59½.
- You have a choice of withdrawal options after you separate. You can also leave your money in the TSP.

To get the most out of the TSP, you need to take an active role in managing your account. The decisions you make, such as how much to contribute, how to invest, whether or not to take a loan, and when and how to withdraw your money, will significantly affect your future TSP benefits.

Getting Started

Starting or Changing Your Contributions

To enroll in the TSP, submit the Election Form (TSP-1 for civilians; TSP-U-1 for members of the uniformed services) to your agency or service. The form is available from your TSP representative or the TSP Web site. Some agencies and services require electronic enrollment. Check with your TSP representative.[1]

You can enroll *within* 60 *days* after you are hired. If you miss the initial opportunity, you can enroll *during a* TSP *open season*:

- April 15 – June 30
- October 15 – December 31

To change the amount of your contributions, make your election (using either the TSP Election Form or your agency's electronic system) during an open season.

Contribution Limits

FERS employees may contribute up to 14% of basic pay each pay period in 2004, and 15% in 2005 (up to the IRS elective deferral limits of $13,000 in 2004 and $14,000 in 2005).

When you are eligible, you will receive two types of agency contributions:

- ***Agency Automatic (1%) Contributions*** — You receive an amount equal to 1% of your basic pay whether or not you contribute.

[1] Your TSP representative is generally a person in your personnel or human resources office.

- ***Agency Matching Contributions*** — Your agency matches your contributions dollar-for-dollar on the first 3% of basic pay you contribute per pay period, and 50 cents on the dollar on the next 2%.

Together, these agency contributions can equal as much as 5% of your basic pay. But you must contribute at least 5% in order to receive the full amount of agency money.

Your eligibility for agency contributions depends on the date you were hired. Check with your TSP representative.

If you are a highly paid FERS employee making more than $92,857 in 2004 (or more than $93,333 in 2005), use the elective deferral calculator at www.tsp.gov or read the Fact Sheet "Annual Limit on Elective Deferrals" so you don't reach the limit before the end of the year and miss out on Agency Matching Contributions.

CSRS employees may contribute up to 9% of basic pay each pay period in 2004, and 10% in 2005 (up to the IRS elective deferral limits of $13,000 in 2004 and $14,000 in 2005).

Members of the uniformed services may contribute up to 9% of basic pay each month in 2004 and 10% in 2005. If you elect to contribute from basic pay, you may also elect to contribute up to 100% of incentive pay and special pay, including bonus pay, that you receive, but your total contributions from taxable pay for the year may not exceed the IRS limits above. You can elect to contribute from bonus pay at any time.

Contributions from pay subject to the combat zone tax exclusion are tax-exempt. They are

not included in the elective deferral limit, but they count toward another IRS limit which specifies that the combined total of all contributions of any type cannot exceed 100% of compensation or $41,000, whichever is less.

If you also contribute to a civilian TSP account, total contributions to both your accounts cannot exceed that limit.

> **Note for members of the Ready Reserve:** If you also contribute to a TSP account as a FERS participant, be sure that your combined contributions to both accounts do not cause you to reach the IRS annual elective deferral limit before the end of the calendar year. If you do, you could lose out on matching contributions from your civilian agency.

If you are age 50 or older (or will turn 50 during the calendar year), and you are contributing the maximum amount for which you are eligible, you can contribute additional "catch-up" contributions from your pay — up to $3,000 in 2004 and $4,000 in 2005. You must make a separate election for these contributions each year. Check with your TSP representative.

Your First Contributions

Contributions are deducted from your pay automatically and sent to the TSP. Your first contribution establishes your account. Your contributions are automatically invested in the risk-free Government Securities Investment (G) Fund until you make a different contribution allocation. (See Your Investment Strategy on page 6, which describes your

TSP investment options and the actions you need to take to invest in the funds of your choice.)

Your TSP PIN

When your first contribution is received, the TSP will mail you a 4-digit Personal Identification Number (PIN) that will allow you to get information about your account and request transactions using the TSP Web site and the ThriftLine. Safeguard your PIN to protect your account.

You can change your initial PIN to one of your choice on the Web site or the ThriftLine. The change will be effective immediately.

If you lose your PIN, you can request a replacement on the Web site or ThriftLine, or by contacting the TSP Service Office. (If you make a written request, you must include your Social Security number and date of birth in your letter.) It can take a week or more to receive a new PIN in the mail. You will not be able to access your account in the meantime.

Your Beneficiary Designation

You can designate any person, trust, or other entity to receive your TSP account in the event of your death. To designate one or more beneficiaries, complete a Designation of Beneficiary form. The form is available at www.tsp.gov or from your agency or service TSP representative. Mail the form to the TSP Service Office.

If you do not designate one or more beneficiaries for your account, in the event of your death your account will be distributed

according to the order of precedence required by law: to your widow or widower; if none, to your child or children equally, and descendants of deceased children by representation; if none, to your parents equally or the surviving parent; if none, to the appointed executor or administrator of your estate; if none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.

Be sure to keep your beneficiary designation up to date to reflect changes in your life, such as marriage, births, adoptions, divorce — even a change of address for your beneficiaries. Send a new form to change an existing beneficiary designation.

A will is not a substitute for a Designation of Beneficiary form and will not affect the disposition of your TSP account.

Your Investment Strategy

Figuring Out Your Retirement Needs

Knowing how much you will need in retirement will help you decide how much to contribute to the TSP and which funds to choose. You can use a percentage of your pre-retirement income (such as 70%) as an estimate, or you can list your expected post-retirement expenses and make projections based on those numbers. Be sure to consider:

- The number of years the money must last.

- Other sources of retirement income, such as your FERS annuity, CSRS annuity, or uniformed services retired pay; Social Security; and other savings, investments, and assets.
- The effect of inflation and taxes on your purchasing power.

The TSP Web site calculators can help you estimate the growth of your TSP account based on your contribution amount and your estimated rate of return on your investments.

Deciding on Your Investment Strategy

Once you have an idea of how much you might need in retirement, you should decide the best way to reach that goal. You can reduce your exposure to risk by diversifying your investments among the funds.

Consider your time horizon (the number of years before you need the money in your TSP account). Generally, the younger you are, the more time you have to make up for losses in riskier investments, and therefore the more risk you can afford to take in exchange for potentially higher gains. On the other hand, the closer you are to retirement, the less risk you may be willing to take.

Selecting Your TSP Investments

You should learn about the investment options that are available to you and decide how you want to invest your TSP account.

You can choose among five investment funds:

- **Government Securities Investment (G) Fund —** invested in short-term, risk-free

U.S. Treasury securities that are specially issued to the TSP

- **Fixed Income Index Investment (F) Fund —** invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index
- **Common Stock Index Investment (C) Fund —** invested in a stock index fund that tracks the Standard & Poor's (S&P) 500 stock index (which comprises large companies)
- **Small Capitalization Stock Index Investment (S) Fund —** invested in a stock index fund that tracks the Dow Jones Wilshire 4500 Completion stock index (which comprises small and medium companies)
- **International Stock Index Investment (I) Fund —** invested in a stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index (which comprises stocks in 21 countries)

Visit the TSP Web site for detailed fund descriptions and fund performance information.

Making Your Investment Allocation

Your investment allocation (the percentage you invest in each fund) will be a critical factor in determining how your account will grow, so you should understand your options — and the risks involved for each fund — before you make your decisions.

Once you have chosen the allocation you want, you can make two transactions to achieve it.

- A ***contribution allocation*** directs how new money (payroll contributions,

transfers into the TSP, loan payments) will be invested.

- An ***interfund transfer*** moves your existing account balance into the funds you choose. An interfund transfer is a one-time transaction that affects your existing balance. It has no effect on new money coming into your account.

Using your Social Security number and your TSP PIN, you can request either of these transactions quickly and easily on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form to the TSP. The form is available from your agency or service.

Reviewing Your Investment Strategy

You should periodically review your investment strategy to see if it still meets your needs. For example, the following events may require a change:

- Your personal situation changes (marriage, divorce, births).
- Your salary goes up. (Are you contributing enough?)
- Your account no longer reflects the distribution you intended because of the performance of the funds in which you are invested.
- You are nearer to retirement and you want to reduce your exposure to risk.

However, you do not need to make frequent changes to your investment allocation based on daily returns as this may reduce your ultimate return. The TSP is a long-term retirement plan, and your investment strategy should reflect this.

Transferring Other Investments to Your TSP Account

If your TSP account has already been established and you want to consolidate your investments, you can transfer balances from your traditional IRAs or eligible employer plans into your TSP account. Transferred money will be invested according to your most recent contribution allocation. Use the Request for a Transfer Into the TSP form available at www.tsp.gov. A transfer of funds can take up to 15 days once a complete request is received.

Account Information

Your Account Balance

Your account balance (expressed in both dollars and shares) is available in the Account Access section of the TSP Web site and on the ThriftLine. Your account balance is updated at the end of each business day. You will need your Social Security number and your TSP PIN to access your account.

Your Quarterly Statement

Your first TSP statement will be mailed to you. Thereafter, your quarterly statements will only be available on the TSP Web site unless you make a request to continue receiving them in the mail. You can make this request on the TSP Web site or the ThriftLine.

Check your quarterly statement to ensure that:

- Your personal information (name, address, date of birth, etc.) is correct.
- Your current beneficiary designation is on file (if you filed one).
- The correct contribution amount is being deposited each pay period.
- Payments on any loans you may have are being deposited in the correct amount.
- All transactions (interfund transfers, loans, withdrawals, etc.) have been properly recorded.

Correcting Your Account Information

- ***To correct personal information (current employees and members),*** have your agency or service make any corrections to your TSP account record.
- ***To correct personal information (separated participants),*** notify the TSP Service Office. Make address changes yourself on the Web site.
- ***To update your beneficiary information or change your beneficiary(ies),*** send a new Designation of Beneficiary form directly to the TSP Service Office.
- ***If you change agencies (or payroll offices),*** make sure that your TSP contributions (and your loan payments, if any) continue after you transfer. Report any errors to your new payroll office immediately, and follow up.

Getting Your Money Out

Loans

The TSP loan program allows eligible participants to borrow from their accounts and repay the loan with interest.

There are two types of loans:

- ***General purpose loans*** can be used for any purpose and have a repayment period of 1 to 5 years.
- ***Residential loans,*** which are available only for the purchase or construction of a primary residence, have a repayment period of 1 to 15 years.

To learn more about the loan program, read the booklet TSP *Loans* which is available from the TSP Web site or from your agency or service. In particular, read the section "Things to Consider Before You Borrow," which will help you decide whether your TSP account is your best option for borrowing money. Taking a loan may reduce your TSP balance at retirement.

In-Service Withdrawals

If you are still employed by the Federal Government, you can withdraw money from your account only under the following circumstances:

- If you are 59½ or older, you may make a one-time, ***age-based in-service withdrawal***.

- If you have a financial hardship, you may make a ***financial hardship in-service withdrawal*** (limited to one every 6 months). You will not be allowed to make contributions to your account for 6 months. (If you are a FERS employee, you will not receive Agency Matching Contributions during that time; Agency Automatic (1%) Contributions will continue.) In addition, if you are under age 59½, you may be required to pay an early withdrawal penalty tax.

Other restrictions apply to these withdrawals. Read the booklet TSP *In-Service Withdrawals* and the tax notice "Important Tax Information About TSP In-Service Withdrawal Payments" for more information.

Post-Separation Withdrawals

When you leave Federal service, you have a number of withdrawal options:

- ***Leave your money in the* TSP.** If you have more than $200, you can leave your account in the TSP until the year following the year you become 70½. (If it is less than $200, the TSP will automatically send you the entire amount in a single payment. You cannot leave it in the TSP.)

  You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in Federal service.

  If you have both a civilian and a uniformed services TSP account and you separate from Federal civilian service or from the uniformed services (or both), you may combine your TSP accounts. Use the form Request to Combine Uniformed Services and Civilian TSP Accounts.

- ***Make a partial withdrawal.*** You may make a one-time, single-payment, partial withdrawal (but only if you had not previously made an age-based in-service withdrawal).
- ***Make a full withdrawal.*** You can withdraw your TSP account as:
  - A single payment.
  - Monthly payments.
  - An annuity (purchased for you by the TSP).
  - A combination of any of these three options.

You can also have the TSP transfer part or all of a partial withdrawal or certain types of full withdrawals to a traditional IRA or eligible employer plan.

When considering your withdrawal options, use the calculators on the TSP Web site to estimate the amount of your annuity payments or monthly payments.

The booklet *Withdrawing Your* TSP *Account After Leaving Federal Service* describes your withdrawal options. You should also read the tax notice "Important Information About Payments From Your TSP Account." The booklet and tax notice are available from the Web site, your agency or service, or the TSP Service Office.

Spouses' Rights

Spouses' rights requirements apply to all loans, in-service withdrawals, and post-separation withdrawals.

- **Loans and In-Service Withdrawals.** If you are a married FERS participant, or a member of the uniformed services, your

spouse must give written consent to your loan, or notarized written consent to your in-service withdrawal request. If you are a married CSRS participant, the TSP will notify your spouse of your loan application or in-service withdrawal request.

- **Post-Separation Withdrawals.** Spouses' rights requirements apply to vested accounts of more than $3,500 for a full withdrawal and accounts of any amount for a partial withdrawal. If you are a married FERS participant or a member of the uniformed services, your spouse is entitled to a prescribed joint life and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

Under certain limited circumstances, exceptions to these requirements may be granted. See the Exception to Spousal Requirements form, available from the TSP Web site.

TSP Web Site

www.tsp.gov

ThriftLine

1-TSP-YOU-FRST
(1-877-968-3778)
(United States and Canada)

All Other International Callers
504-255-8777
(not toll-free)

TDD

1-TSP-THRIFT5
(1-877-847-4385)

TSP Service Office

P.O. Box 61500
New Orleans, LA 70161-1500

Federal Retirement Thrift Investment Board

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