



In-Service Withdrawals

Age-Based ♦ Financial Hardship

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Before You Make an In-Service Withdrawal

An in-service withdrawal is a withdrawal that you make from your TSP account while you are still actively employed in Federal civilian service (CSRS or FERS) or the uniformed services.¹ There are two types of in-service withdrawals: financial hardship withdrawals and age-based withdrawals. **Note:** In-service withdrawals cannot be made from beneficiary participant accounts. (A beneficiary participant account is a TSP account that is inherited by the spouse of a deceased TSP participant.)

Before making an in-service withdrawal, keep in mind that the Thrift Savings Plan (TSP) is a retirement savings and investment plan. It was designed to help you save for your future. If you are covered by the Federal Employees' Retirement System (FERS), the TSP is a critical component of your Federal retirement benefits and may represent a significant part of your retirement income. Before you decide to withdraw your account while you are still employed, carefully consider not only the impact of your decision on your immediate need, but also its impact on your future well-being.

Consequences of Making an In-Service Withdrawal

Making an in-service withdrawal affects your ability to accumulate savings and defer taxes. This is because:

- When you make an in-service withdrawal, you permanently reduce your TSP account by the amount you withdraw, and you also give up

¹ CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans. These Federal civilian employees were hired before January 1, 1984.

FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans. These Federal civilian employees were hired on or after January 1, 1984.

For TSP purposes, members of the uniformed services include members of the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration, as well as members of the Ready Reserve, including the National Guard.

Participants who are both Federal civilian employees and members of the uniformed services may have a TSP account related to each type of employment and will thus have two separate accounts. For such participants, the information in this booklet applies to each account separately.

any future earnings on that amount. Once the TSP processes your in-service withdrawal, you cannot return or repay the money to your account, and you cannot convert your withdrawal to a loan.

- **You must pay Federal and, in some cases, state income taxes on the taxable portion of your withdrawal.** If you make a financial hardship withdrawal before age 59½, you may also have to pay a 10% early withdrawal penalty tax. **Note:** Any tax-exempt or Roth contributions included in the withdrawal are not subject to Federal income tax. However, if you have not met the conditions necessary for your Roth earnings to be qualified,² any Roth earnings included in the withdrawal will be subject to Federal income tax.
- If you make a financial hardship in-service withdrawal, you will not be eligible to make contributions (including catch-up contributions) to that account for 6 months. This is especially important if you are a FERS employee or a member of the uniformed services:
 - *If you are a FERS employee*, during the 6-month period when you cannot contribute to your account, you will not receive any Agency Matching Contributions. However, you will continue to receive Agency Automatic (1%) Contributions.
 - *If you are a member of the uniformed services*, when your employee contributions from basic pay stop, any contributions from incentive pay, special pay, or bonus pay will also stop.
- If you make an age-based in-service withdrawal, you will not be eligible to make a partial withdrawal³ from the TSP after you separate from service.

² Roth earnings become qualified (i.e., paid tax-free) when the following **two** conditions have been met: (1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, **and** (2) you are age 59½ or older, permanently disabled, or deceased. **Note:** The TSP cannot certify to the IRS that you meet the Internal Revenue Code's definition of disability when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.

³ A partial withdrawal from the TSP is a one-time post-employment withdrawal through which you take out part of your account balance and leave the rest until you decide to withdraw it or until you reach the TSP's withdrawal deadline.

You should think about these consequences before making an in-service withdrawal. If you are in pay status and are eligible for a TSP loan, you may want to consider that option. Although a \$50 administrative fee would be deducted from a TSP loan, a loan may have advantages over a withdrawal.

When you take a TSP loan:

- You repay your own TSP account for the amount of the loan (plus interest) and therefore continue to accrue earnings on the money you borrowed after you pay it back.
- You pay no taxes on your loan (unless you fail to repay it).
- You can continue to contribute to your account and, if eligible, receive matching contributions if FERS, or continue to contribute from incentive pay, special pay, or bonus pay if you are a member of the uniformed services.

For more information about TSP loans, read the booklet *Loans*, which is available from the TSP website or from your agency or service.

The chart below compares how taking a TSP loan or making an in-service withdrawal would affect your account.

	LOAN	IN-SERVICE WITHDRAWAL
Cost to Participant	<p>\$50 loan fee</p> <p>No earnings on any outstanding loan amount</p>	<p>Retirement savings permanently reduced by amount of withdrawal</p> <p>No future earnings on amount withdrawn</p> <p>With financial hardship withdrawal, no employee contributions for 6 months (and no matching contributions, if you are a FERS employee); members of the uniformed services cannot contribute from incentive, special, or bonus pay</p>
Effect on Taxes	<p>None (unless loan is not paid back and the TSP declares a taxable distribution[*])</p>	<p>Immediate tax liability (unless age-based withdrawal is transferred to an IRA or eligible employer plan)</p> <p>Possible additional 10% early withdrawal penalty tax</p>
Effect on Earnings	<p>No earnings on amount of loan until funds are repaid</p>	<p>No earnings on amount withdrawn</p> <p>With financial hardship withdrawal, no new contributions to accrue earnings for 6 months</p>
Effect on Matching Contributions (FERS Only)	<p>None</p>	<p>With financial hardship withdrawal, no matching contributions while employee contributions are suspended</p>

^{*} When the TSP declares a taxable distribution, the Internal Revenue Service (IRS) considers the unpaid balance (including any accrued interest) of the loan to be taxable income.

Financial Hardship In-Service Withdrawals

A financial hardship withdrawal is a withdrawal made while you are still employed that is based on genuine financial need. You must pay income tax on the taxable portion of your financial hardship withdrawal, and, if you have not reached age 59½, you may also have to pay a 10% early withdrawal penalty tax. Acceptable reasons for making a financial hardship withdrawal are explained below.

Acceptable Reasons for Withdrawing

To qualify for a financial hardship withdrawal, you must have a financial need for at least one of the following reasons:

- Negative monthly cash flow
- Medical expenses (including household improvements needed for medical care) that you have not paid and that are not covered by insurance
- Personal casualty loss(es) that you have not paid and that are not covered by insurance
- Legal expenses (that you have not yet paid) for separation from your spouse or divorce

While these conditions are explained below, they are described in more detail on Form TSP-76, Financial Hardship In-Service Withdrawal Request. You can obtain this form from the Forms & Publications section of the TSP website, from your agency or service, or by calling or writing to the TSP.

Negative Monthly Cash Flow

You have a negative monthly cash flow if your monthly income is less than your monthly expenses on a recurring basis. To help you determine whether you have a negative cash flow and the amount of any negative cash flow, the TSP has created the “Worksheet to Determine Financial Hardship.” You can find it, with instructions, on the TSP website on Form TSP-76.

Eligible Medical Expenses

Eligible medical expenses include:

- Any medical expense that you have not yet paid that would be eligible for deduction on your Federal income tax return. The expense must have been incurred as the result of a medical condition, illness, or injury to you, your spouse, or individuals you can claim as dependents (i.e., individuals whom you can claim as dependents for Federal income tax purposes at the time you request your financial hardship withdrawal).
- Expenses that you have not yet paid for household improvements needed because of a medical condition, illness, or injury to you, your spouse, or your dependents. Examples include the installation of structural improvements such as wheelchair ramps, railing and support bars, modified doorways and stairways, or elevators for people with heart conditions.

Eligible Personal Casualty Loss(es)

Eligible personal casualty losses include damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual. Such losses can be the result of earthquakes, hurricanes, tornadoes, floods, storms, fires, or similar causes. They can also be the result of property theft or automobile accidents that are not caused by your willful negligence or willfully destructive act.

Generally, eligible costs of repairs and replacement of personal casualty losses are those that are eligible for deduction on your Federal income tax return (without taking into consideration the IRS limits on income, the fair market value of the property, or the number of events causing the casualty loss).

However, eligible personal casualty losses **do not** include:

- loss of deposits when a bank or other financial institution becomes insolvent or bankrupt;
- losses to a business or income-producing property (even though such losses are deductible for Federal income tax purposes); or

- damage from normal wear and tear, such as damage or destruction caused by termites or moths or progressive deterioration of your property.

Eligible Legal Expenses

Eligible legal expenses are limited to unpaid attorneys' fees and court costs related to a separation from your spouse or a divorce.

Legal expenses that **cannot** be used to justify a financial hardship include:

- Court-ordered payments to a spouse or former spouse and child support payments. However, if you are making a financial hardship withdrawal because of negative cash flow, such payments should be included in your calculation of expenses.
- Costs of obtaining prepaid legal services or other coverage for legal services.

TSP Rules for Making a Financial Hardship Withdrawal

The following rules apply to making a financial hardship withdrawal:

- You cannot withdraw less than \$1,000.
- The money may only be taken from your own contributions (including money you may have transferred into the TSP from IRAs or eligible employer plans) and the earnings on those contributions.
- Your withdrawal must be used to cover a genuine financial hardship (based on the reasons previously described) while you are actively employed by the Federal Government or the uniformed services.
- Your financial hardship withdrawal is limited to the amount of your financial need.
 - When calculating the amount of your financial hardship, you cannot use any expenses that have already been paid or that are reimbursable to you from insurance or other sources.

- You cannot make another financial hardship withdrawal from your account for a period of 6 months from the time your payment is processed.
- **You may not make employee contributions to your TSP account during the 6-month waiting period.** Therefore, if you are a FERS employee, you will not receive Agency Matching Contributions during that 6-month period. We will notify your agency or service to stop your contributions, and we will send you a notice that states the dates for the period during which no employee contributions can be made. If you are a member of the uniformed services, this includes contributions from special pay, incentive pay, and bonus pay.
 - When you are eligible to start making employee contributions again following the 6-month waiting period, the TSP will send you a notice. However, your agency or service **will not** automatically resume your employee contributions. The timing of your election to resume contributions and your payroll cycle will determine when your contributions begin again.
 - At the time you request that your payroll contributions be resumed, you must provide your agency or service with a copy of the notice when you submit Form TSP-1, Election Form (TSP-U-1 for uniformed services). Check with your agency or service to see if it uses an automated system such as Employee Express, PostalEase, EBIS, myPay, or the NFC PPS, regarding the submission of the notice.
- When your contributions resume, they will be allocated to the TSP funds according to your most recent contribution allocation.
- **If you have two separate TSP accounts** — a civilian account and a uniformed services account — you can make your financial hardship withdrawal only from the account associated with your active employment at the time of your withdrawal. If both accounts are associated with your active employment (e.g., because you are a Federal civilian employee and also a member of the Ready Reserve), you can make one financial hardship withdrawal from each account. The 6-month waiting period applies to the account(s) from which you make your withdrawal(s). **Note:** You cannot make a financial hardship withdrawal from a beneficiary participant account.


How to Apply for a Financial Hardship Withdrawal

There are two ways to request a financial hardship withdrawal.

- You can access your account on the TSP website and fill out an application online. Your guided answers to the questions will pre-fill the withdrawal request package, which will help you avoid mistakes, and your form may process faster. At the end of the session, you can print out the form, complete any missing information, and mail or fax the form to the TSP.
- You can complete and send Form TSP-76, Financial Hardship In-Service Withdrawal Request, to the TSP. The form is available from the TSP website, your agency or service, or the TSP.

If you choose to use the TSP website, you can begin (and, in some cases, complete) your request online. Your ability to complete a request online will depend on whether you are required to obtain your spouse's consent (see page 17) and whether you want to receive your money by check or by direct deposit to your bank account.

Although you do not have to submit income information or documentation of expenditures with your financial hardship withdrawal request, you should retain such information and documentation for future reference.



On your withdrawal request (Form TSP-76), you will have to certify, under penalty of perjury, that you have a genuine financial hardship based on the reasons described on the form.

Age-Based In-Service Withdrawals

An age-based withdrawal is a one-time withdrawal you can make at or after age 59½ while you are still employed. You must pay income tax on the taxable portion of your withdrawal unless you transfer or roll it over to an IRA or other eligible employer plan.

TSP Rules for Making an Age-Based Withdrawal

The following rules apply to making an age-based withdrawal:

- You must be at least age 59½ to make an age-based withdrawal.



The TSP determines your age based on the date of birth reported by your employing agency or service. If that date is incorrect, you must ask your agency or service to change it.

- You can only withdraw funds in which you are vested (i.e., funds you are entitled to keep, based on your years of service). If you are a CSRS employee or a member of the uniformed services, you are always vested in your contributions and earnings. If you are a FERS employee, you are immediately vested in your own contributions, Agency Matching Contributions, and the earnings on those contributions, but you generally do not become vested in your Agency Automatic (1%) Contributions or the earnings on them until you have completed 3 years of service.⁴ All employees are always vested in money transferred into the TSP from IRAs or eligible employer plans — and in the earnings on that money.
- You may make an age-based withdrawal of \$1,000 or more or your entire vested account balance. If your vested account balance is less than \$1,000, you may only request your entire vested account balance.

⁴ FERS employees in congressional and certain noncareer positions become vested in their Agency Automatic (1%) Contributions after completing 2 years of Federal service.

- **If you have two separate TSP accounts** — a civilian account and a uniformed services account — you can make your age-based withdrawal only from the account associated with your active employment at the time of your withdrawal. If both accounts are associated with your active employment (e.g., because you are a Federal employee and also a member of the Ready Reserve), you can make one age-based withdrawal from each account. **Note:** You cannot make an age-based withdrawal from a beneficiary participant account.
- When you make an age-based withdrawal, you lose the option of making a partial withdrawal from your account after you separate from service.
- You may be able to transfer or roll over all or part of your age-based withdrawal to a traditional IRA, a Roth IRA, or an eligible employer plan.⁵ However, your eligibility to transfer or roll over, as well as how taxes are applied, depends on the type of money contained in your withdrawal (traditional or Roth) and the type of account that will receive your transfer or rollover. Depending on the type of plan you move your money into, the funds you transfer or roll over may become subject to plan rules different from those that govern the TSP.

For more detailed information about transferring or rolling over your age-based withdrawal, see the TSP tax notice “Important Tax Information About Payments From Your TSP Account,” which is available from the TSP website, your agency or service, or the TSP.

⁵ A **traditional IRA** is an individual retirement account described in IRC § 408(a) or an individual retirement annuity described in IRC § 408(b). The traditional IRA category does not include an inherited IRA, a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account.

A **Roth IRA** is an individual retirement account described in IRC § 408A.

An **eligible employer plan** is a plan qualified under IRC § 401(a) (including a § 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan); an IRC § 403(a) annuity plan; an IRC § 403(b) tax-sheltered annuity; or an IRC § 457(b) plan maintained by a governmental employer.

How to Apply for an Age-Based Withdrawal

There are two ways to request an age-based withdrawal.

- You can access your account on the TSP website and fill out an application online. Your guided answers to the questions will pre-fill the withdrawal request package, which will help you avoid mistakes, and your form may process faster. At the end of the session, you can print out the form, complete any missing information, and mail or fax the form to the TSP.
- You can complete and send Form TSP-75, Age-Based In-Service Withdrawal Request, to the TSP. The form is available from the TSP website, your agency or service, or the TSP.

If you choose to use the TSP website, you can begin (and, in some cases, complete) your request online. Your ability to complete a request online will depend on whether you are required to obtain your spouse's consent (see page 17), on whether you want to receive your money by check or by direct deposit to your bank account, and on whether you are transferring any or all of your withdrawal to an IRA or eligible employer plan.

If you want to transfer all or a portion of your age-based withdrawal to an IRA or eligible employer plan, your financial institution(s) must provide information about the IRA or plan on Form TSP-75.

Summary of In-Service Withdrawals

	FINANCIAL HARDSHIP	AGE-BASED
Money you can withdraw	Your employee contributions and their earnings	Your vested account balance
Amount you can withdraw	\$1,000 or more	\$1,000 or more, or your entire vested account balance
When you can withdraw	When you have a genuine financial hardship to which you can attest under penalty of perjury	At age 59½ or older
Acceptable reasons for withdrawal	Negative cash flow Eligible unpaid medical expenses Eligible unpaid personal casualty losses Eligible legal expenses for separation or divorce	No specific reason needed
Tax withholding	10% for Federal tax on the taxable portion (can be waived or increased)	Mandatory 20% for Federal tax on the taxable portion (can be increased) No withholding on taxable amounts transferred
Consequences	Taxable amount withdrawn becomes subject to tax for the year of the withdrawal Permanent reduction of retirement savings and future earnings No employee contributions (including age 50 or older catch-up contributions) for 6 months If FERS, Agency Matching Contributions are suspended For members of the uniformed services, no contributions from incentive pay, special pay, or bonus pay while you are not making employee contributions 10% Federal penalty tax if you are under age 59½ (exceptions apply)	Taxable amount withdrawn becomes subject to tax for the year of the withdrawal (unless transferred to an IRA or an eligible employer plan*) Permanent reduction of retirement savings and future earnings Lose the option of making a partial withdrawal after leaving Federal service
Spouses' rights	For FERS and uniformed service participants: require spouse's notarized consent For CSRS participants: require TSP to notify spouse	
Frequency allowed	No limit, but a 6-month waiting period between withdrawals	One time only

* The money you transfer to a traditional IRA or eligible employer plan will not be taxed until you withdraw it from that IRA or plan. However, any money you transfer from your traditional balance to a Roth IRA will be taxed for the year it is distributed from the TSP.

How In-Service Withdrawals are Disbursed

Your withdrawal will be disbursed proportionally from any traditional (non-Roth) and Roth balances⁶ in your account, and from each TSP fund in which you are invested at the time of your withdrawal. Any amount distributed from a Roth balance will contain a proportional amount of Roth contributions. Similarly, if you are a uniformed services employee with tax-exempt contributions in your traditional balance, your withdrawal will contain a proportional amount of tax-exempt contributions as well. **You cannot designate the type of money (traditional, Roth, or tax-exempt) that you want to withdraw.**

The TSP disburses withdrawals each business day. You can check the TSP website or call the TSP's toll-free automated voice response system, the ThriftLine (1-877-968-3778), to find out the status of your withdrawal, including whether payment has been made. The TSP will also notify you in writing when the funds have been disbursed. Once your payment has been disbursed, you cannot return it. (See 5 C.F.R. § 1650.17(b).)

At your request, the TSP will deposit your withdrawal directly into your checking or savings account via electronic funds transfer (EFT). Otherwise, the TSP will mail your in-service withdrawal check — and any correspondence related to your withdrawal — to the address in your TSP account record. If you are transferring your age-based withdrawal to your IRA or eligible employer plan, the TSP will mail the check to your IRA or plan.

⁶ A **traditional (non-Roth) balance** consists of any employee contributions (including contributions from pay earned in a combat zone) that you designated as traditional when you made your contribution election, all agency contributions, and the earnings associated with these contributions. You pay taxes on these contributions and their earnings when you withdraw them.

A **Roth balance** consists of any employee contributions (including contributions from pay earned in a combat zone) that you designated as Roth when you made your contribution election, and the earnings associated with these contributions. You pay no taxes on these contributions when you withdraw them. Roth earnings are also tax-free when withdrawn as long as 5 years have passed since January 1 of the calendar year when you made your first Roth contribution, and you are age 59½ or older, permanently disabled, or deceased.

You should expect that it will take several weeks from the time the TSP receives your properly completed form until the time the TSP sends your check. You may receive your money sooner if you elect to have your withdrawal deposited directly into your checking or savings account via EFT. EFT is safer and faster than payment by check because lost, stolen, damaged, or misdirected checks can take 6 weeks or longer to replace. If you are able to complete the withdrawal process online, your request will reach the TSP sooner. However, for security reasons, you may not make a request online for payment via EFT.

The TSP can only process one request at a time from the same account. This includes both loan and withdrawal requests. Therefore, the TSP will not accept your in-service withdrawal request if it is received while you already have a pending application for another type of in-service withdrawal or for a TSP loan.

Additional Points to Note

It is important to understand how your in-service withdrawal will be affected by taxes, court orders, and TSP spouses' rights rules.

Taxes

You are responsible for paying taxes on the taxable portion of an in-service withdrawal. We report all TSP distributions to the Internal Revenue Service (IRS) – and to you – on IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. We also withhold for Federal income tax. However, you may waive withholding when you make a financial hardship withdrawal.

Different tax and withholding rules apply to financial hardship withdrawals and age-based withdrawals. For detailed information about relevant tax and withholding rules, read the TSP tax notice “Important Tax Information About Payments From Your TSP Account,” which is available from the TSP website, your agency or service, or the TSP.

Court Orders

If the TSP receives a court order against your account, it must honor it. Under such circumstances, you will not be able to make an withdrawal (or make any other type of withdrawal) from your account until the requirements of the court order have been met. For information about the effect of court orders on your TSP account, read the booklet *Court Orders and Powers of Attorney*, available from the TSP website, your agency or service, or the TSP.


Spouses' Rights

Your spouse has certain rights with regard to your in-service withdrawal, even if you are separated from your spouse. Therefore, on your request for an in-service withdrawal, you must indicate whether or not you are married. If you are married, the following rules apply:

- **If you are a FERS participant or a member of the uniformed services**, the law requires your spouse's consent to your in-service withdrawal. If your spouse's whereabouts are unknown, or if exceptional circumstances make it inappropriate to obtain your spouse's signature, you must apply for an exception by completing Form TSP-16, Exception to Spousal Requirements (TSP-U-16 for members of the uniformed services).
- **If you are a CSRS participant**, the TSP must notify your spouse before your in-service withdrawal can be completed. If you do not know the whereabouts of your spouse, you must apply for an exception on Form TSP-16, Exception to Spousal Requirements.

The criteria for supporting a claim of "exceptional circumstances" or "whereabouts unknown" are strict. The fact that there is a separation agreement, a prenuptial agreement, a protective order, or a divorce petition does not in itself support a claim of exceptional circumstances.

If you need to submit an Exception to Spousal Requirements form, you can obtain one from the TSP website, your agency or service, or the TSP. You must submit the form, with the documentation specified in it, to the TSP.



The TSP may pursue and prosecute any participant or other person who attempts to deprive a spouse of his or her TSP rights by forging the spouse's signature, by lying about the participant's marital status, or by engaging in any similar acts.

Where to Get More Information

You can find information and forms associated with TSP in-service withdrawals in the Forms & Publications section of the TSP website (www.tsp.gov).

If you have questions that your agency or service cannot answer about in-service withdrawals, you can contact the TSP Monday through Friday from 7:00 a.m. to 9:00 p.m., Eastern time, at the telephone numbers below.

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778) (toll free);
Outside the U.S. and Canada, 404-233-4400
(not toll free)

TDD: 1-TSP-THRIFT5 (1-877-847-4385) (toll free)

You can also write to the TSP at the following address:

Thrift Savings Plan
P.O. Box 385021
Birmingham, AL 35238



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