Questions and Answers about Changes to TSP Withdrawal Options

This fact sheet answers frequently asked questions about changes to the TSP withdrawal options associated with the passage of the TSP Modernization Act (PL 115-84).

When will the changes happen?
All of the new withdrawal options will go into effect September 15, 2019.

What happens between now and when the new rules take effect?
From now through September 6, you’ll continue to have the same withdrawal options available before the law passed. For details, see the TSP booklet that applies to your situation: Withdrawing Your TSP Account After Leaving Federal Service or In-Service Withdrawals.

Starting September 15, you’ll have those same withdrawal options in addition to those described in the rest of this fact sheet. We’ll update guidance in our booklets and on tsp.gov when the new options go into effect.

If you need to withdraw money before these changes take effect, we must receive your properly completed request by 11:59 p.m. on September 6, 2019.

We will not be able to accept withdrawal requests during a brief period between September 7 and September 14. This transition period allows us to finish processing withdrawal requests we receive before the rules change and prepare to accept requests with the new withdrawal options.

Remember, you’re only gaining options. We’re not taking anything away. You may want to wait until September 15 or later to request your withdrawal so that you can take advantage of more flexibility and use new, more efficient online tools to initiate your request.

What’s going to change?
Beginning September 15, 2019, you will have more options for how and when you can access money from your TSP account. These options fall into the following categories:

- After you separate from service, you can take multiple post-separation partial withdrawals.
- If you’re 59½ or older and still working in federal civilian or uniformed service, you can take up to four in-service withdrawals each year.
- You’ll be able to choose whether your withdrawal should come from your Roth balance, your traditional balance, or a proportional mix of both.
- You will no longer need to make a full withdrawal election after you turn 70½ and are separated from federal service. (You will still need to receive IRS required minimum distributions (RMDs).)
- If you’re a separated participant, you’ll be able to take monthly, quarterly, or annual payments.
- You’ll be able stop, start, or make changes to your installment payments at any time.
- You’ll have enhanced online tools to help you make withdrawals in the My Account section of tsp.gov.

Read the following sections for more details.

Partial Withdrawals
Right now, you’re limited to one partial withdrawal in your lifetime—either an age-based in-service withdrawal...
(when you’re 59½ or older) or a partial post-separation withdrawal. Under the new policy,

- you’ll be able to take up to four age-based in-service withdrawals per calendar year¹;
- there will be no limit of the number of partial withdrawals you can take after separating from federal service (except that you won’t be able to take more than one every 30 calendar days);
- you’ll be able to take partial withdrawals while you’re receiving post-separation installment payments; and
- having taken age-based in-service withdrawals will not prevent you from taking post-separation partial withdrawals.

Roth, Traditional, or Both

Currently, when you take a withdrawal, the money comes from your traditional and Roth balances on a pro rata basis. For example, if 80% of your account is in your traditional balance and 20% is in Roth, any withdrawal you take will be 80% traditional and 20% Roth. Under the new rules, you can still use this method, but you’ll also have the option to take your withdrawal only from your Roth balance or only from your traditional balance. These options will be available for all types of withdrawals.

Withdrawal Deadline

Previously, the law required that you make a full withdrawal election once you turned 70½ and were separated from federal service. If you failed to do that, we would initiate an account “abandonment” process.

The new law does away with this requirement. You will never be required to make a full withdrawal election, and we will no longer abandon accounts as we have in years past.

If your account has already been abandoned, you’ll be able to restore the account without making a full withdrawal election. Your restored balance can remain in the plan (subject to RMDs) with all the new withdrawal options available.

You will still need to receive IRS required minimum distributions (RMDs). You can satisfy the requirement by taking a partial withdrawal or installment payments. If you take no action or just don’t withdraw enough to meet your RMD, we will automatically send you the remaining RMD amount.

Installment Payments

- Monthly payments are currently the only frequency option you have for receiving regular post-separation installment distributions from your account. The new rules will also allow you to receive payments quarterly or annually.
- Right now, if you’re receiving monthly payments, you can only change the amount of those payments during an open season between October 1 and December 15. When the new withdrawal options go into effect, you’ll be able to change the amount and frequency (monthly, quarterly, annual) of your installment payments—and change from life-expectancy payments to a fixed dollar amount²—at any time throughout the year.
- Now, if you want to stop your monthly payments, you must receive the remainder of your account in a final withdrawal paid to you or transferred to an IRA or other eligible plan. The new rule eliminates that requirement, allowing you to stop and start your payments any time.

What will be the withdrawal process under the new rules?

At the same time as we roll out the new withdrawal options, we’ll begin using enhanced online tools to make the withdrawal process even more efficient. Instead of just providing you with a completed paper form to send in, our new online tools will allow you to complete at least part of the transaction online. In many cases you’ll still need to provide notarized signatures or other materials in paper form. But when that happens, you’ll be given only the necessary pages to complete and submit. When we receive those pages, we’ll be able to link them to the information you’ve already submitted securely online and complete your transaction. This will greatly reduce the chance of errors that could cause delays, rejections, or—worse—unintended withdrawals that can’t be reversed.

¹ Current rules on the number of in-service hardship withdrawals will not change.
² This is a one-time-only change. As is currently the case, once you choose to receive “dollar-amount” payments, you cannot switch to life-expectancy.
Can beneficiary participants use the new withdrawal options?

Yes, beneficiary participants, the spouses of deceased TSP participants who've had accounts established for them, can make all the same withdrawals as separated TSP participants.

If I’ve already begun receiving monthly payments from my TSP account, or elect to begin receiving payments before the new rules take effect, will the additional withdrawal options be available to me? How about if I’ve already taken a partial withdrawal (either in-service or post-separation) before the changes take place? Will that prevent me from being able to take additional withdrawals later?

If you have an account balance when the new rules go into effect, even if you’ve begun receiving monthly payments or have taken a partial withdrawal before then, you will be able to take advantage of the new withdrawal options. Note that, as is currently the case, if you are receiving monthly payments and elect to make a change that affects the duration of your payments, there may be tax consequences. For more information, see the TSP tax notice Important Tax Information About Payments From Your TSP Account.

Why is it taking so long to make the new options available?

It might seem like a simple thing to start allowing something that’s currently not allowed, but there’s a lot to be done to make these changes happen.

There are substantial programming changes and form revisions to be made just to make it possible for participants to take advantage of the new options. And there are many publications and web pages that need to be changed to reflect our new policy and new procedures.

Also, as a government agency, we have to publish any policy decisions that are necessary to implement new legislation in publicly accessible regulations. So we have to publish new regulations in order to allow the new options. We also have to have a public comment period and take the time to consider comments before we make final regulatory changes.

We asked Congress for these new withdrawal options, so rest assured that we’re motivated to enact them as soon as possible. We’re pleased to be able to provide the new options beginning September 15, 2019.