



Thrift Savings Plan

Change in Required Minimum Distribution Age:

The SECURE Act, which passed on December 20, 2019, changes the age at which you have to start taking required minimum distributions from 70 ½ to 72. The law excludes people who turned 70 ½ on or before December 31, 2019. We are awaiting guidance from the IRS on how this new law should be implemented. Please be aware that the resource you're trying to access has not been updated for the new law.

Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions

This notice provides an overview of how required minimum distributions (RMDs) apply to you as the holder of a TSP account. Because the tax rules covered in this notice are complex, you may also wish to consult a tax advisor. **Note:** The required minimum distribution rules are different for a TSP beneficiary participant account, which is an account inherited from a deceased TSP participant by his or her spouse. If you have a beneficiary participant account, refer to the TSP tax notice *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*. Please also see the TSP tax notice *Important Tax Information About Payments From Your TSP Account* for an overview of TSP tax matters.

1. What are required minimum distributions?

The Internal Revenue Code (IRC) requires that you begin receiving distributions from your account in the calendar year you become age 70½ **and** are separated from federal service. Your entire TSP account—both traditional and Roth—is subject to these required minimum distributions (RMDs). We calculate RMDs using your age, your prior year-end account balance, and the IRS Uniform Lifetime Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-2, as published in the Federal Register on April 17, 2002. (See the table at the end of this notice.)

Note: If your TSP account record has your date of birth or separation from service recorded incorrectly, or if your agency or service is late in reporting your separation, you may not receive a payment that satisfies the minimum distribution requirement by your required beginning date (defined in section 2). If this happens, you may be subject to an IRS penalty tax of 50% on the amount that was not paid to you on time. To avoid this penalty, you must be sure that the information in your TSP record is correct and that your agency or service reports your separation promptly.

2. What are the deadlines for receiving RMDs?

The first year you are 70½ or older **and** separated from service is called your **first distribution calendar year**. If you do not withdraw enough to meet the requirement during your first distribution calendar year, we are required to disburse your first RMD to you by April 1 of the following year. That date is called your **required beginning date**, and it happens during your **second distribution calendar year**. For administrative purposes, we will issue this RMD on March 1 or the last business day before March 1 of your

second distribution calendar year. Your RMD deadline for your second distribution calendar year is December 31 of that same year, so we'll send your RMD in December. In the years that follow, you'll have just one RMD, due December 31.

3. How do I ensure that I receive the required minimum distribution?

You will fully or partly satisfy your RMD with any withdrawals you choose to make. If you don't make any withdrawals or if your withdrawals fall short of the required amount, we will automatically send you the amount that's still required. This section explains the different rules that apply in your first distribution calendar year and in your second and subsequent distribution calendar years. It also shows how different withdrawal methods may have different effects on your RMD. See the TSP booklet *Withdrawing from Your TSP Account for Separated and Beneficiary Participants* for more information about these methods.

It's important to keep us updated if you have a change of address. If we're aware that the address we have for you is incorrect, we will not send you an RMD check, but we will still report the amount to the IRS as taxable income. Log into My Account at tsp.gov to update your address.

The scenarios described here assume that your action is the first withdrawal you've taken in the year and that you have not withdrawn your total account balance. Total account withdrawals automatically satisfy the RMD.



Tax Notice

TSP-775 (9/2019)
Previous Editions Obsolete

What Happens During Your First Distribution Calendar Year

- If you receive **installment payments**, your payments will count toward satisfying your RMD. If your payments, combined with any subsequent withdrawals you might make, do not meet the required amount, we will give you a supplemental payment in March of the following year to satisfy your minimum distribution requirement before the April 1 deadline.
- If you take a **single withdrawal**, your RMD will be eliminated if the withdrawal is at least the amount of your RMD or reduced if the withdrawal is less than your RMD. If your single withdrawal, combined with any subsequent withdrawals you might make, do not meet the required amount, we will give you a supplemental payment in March of the following year to satisfy your minimum distribution requirement before the April 1 deadline.
- If you purchase an **annuity**, we will send you a separate check for your full RMD amount before processing the annuity purchase.

Important note about combining an annuity purchase with another method or methods: If in one request you purchase an annuity **and** use one or both of the other two methods, we must first send you a check for the full RMD amount before processing any part of your withdrawal request. This rule applies to your first distribution year, including the first two months of the following year if your first year's RMD has not yet been met.

What Happens During Your Second and Subsequent Distribution Calendar Years

Because the deadline for your first distribution year is April 1 of your second distribution year, we will continue to follow the rules just explained for the first two months of the second year unless the first year's RMD has been satisfied. Your withdrawals made in the second year won't start counting toward your second year's RMD until your first year's RMD is satisfied. If it's still not satisfied on March 1, we will send you what remains of your first year's RMD. After that, your withdrawals will count toward your second year's RMD using the same rules described for the first distribution calendar year with **two important exceptions**:

- **December 31 deadline.** After the first year, the deadline for a given year's RMD is December 31 of that same year. So if you haven't satisfied your RMD by December, we will send you the necessary amount then.
- **Treatment of annuity purchases.** The rule about sending you a check before processing any withdrawal that includes an annuity purchase no longer applies after you've satisfied your first year's RMD. For your

second and subsequent distribution years, your annuity purchase will satisfy a portion of your RMD in this way: The percentage of your account that you use to purchase the annuity is the same percentage of your RMD that the purchase will satisfy. In other words, if you choose to purchase an annuity with 50% of your account balance, then 50% of your RMD amount will be satisfied.

The same rules apply for the years that follow except that withdrawals taken in all months of a year count toward that year's RMD.

4. Can I transfer RMDs to an IRA or another eligible employer plan?

No. Required minimum distributions cannot be transferred to an IRA or eligible employer plan. If you choose to transfer all or part of a withdrawal in a year in which you have an RMD, we are required to make sure you satisfy the RMD before any transfer takes place. We must do this beginning with your first transfer of the year, whether or not you intend to satisfy the RMD later in the year.

If you are required to receive a minimum distribution and you choose to transfer **all** of your single payment or eligible installment payments, we will remove your RMD amount from the transfer and send it directly to you, not to your IRA or eligible employer plan.

If you choose to transfer only a **portion** of your payment or payments, then we will remove the RMD amount and send it to you before calculating the amount to be transferred. For example, let's say at the end of last year your balance was \$100,000 and you have a required minimum distribution of \$4,545. You make a total account withdrawal of your \$100,000 balance, and you specify that 60% of your payment should be transferred and 40% should be paid directly to you. We will remove \$4,545, send it to you, and then calculate the requested percentage from the remaining \$95,455. In this example, we would transfer \$57,273 to your IRA or eligible employer plan and send you an additional \$38,182. The final result of your request is a transfer of \$57,273 to your IRA or eligible employer plan and direct payments to you totaling \$42,727.

Note: The calculation shown here does not consider withholding for federal income tax. We are, however, required to withhold a percentage of any payment made directly to you, including your required minimum distribution, and pay it to the IRS. See the next section for more information.

5. How much will be withheld from my RMD for federal taxes?

With one exception explained in the next paragraph, required minimum distributions are in the IRS category of “non-periodic payments.” We must withhold 10% for federal income tax unless we receive other instructions from you. You can instruct us to waive withholding or to withhold more than 10% by submitting IRS Form W-4P, *Withholding Certificate for Pension or Annuity Payments*. Complete Line 1 of the form to have nothing withheld for federal taxes; complete Line 3 to have an amount greater than 10% withheld. (Line 2 of Form W-4P is not valid for this type of payment.) If you waive withholding and later want to have taxes withheld, submit a new Form W-4P with the word “Revoked” written next to the checkbox in Line 1.

Exception

There is one situation in which we would not treat your RMD as a non-periodic payment: If a portion of an installment payment is used to satisfy your RMD and that installment payment is categorized as a “periodic payment” (payments expected to last 10 years or more or based on life expectancy), then the whole payment, including the RMD portion, is considered a periodic payment. For periodic payments, we must withhold for federal tax as if you are married with three dependents. As with non-periodic payments, you may instruct us to withhold an additional amount from your periodic payment or to waive withholding. With periodic payments, you can also choose to have federal income tax withheld based on the allowances and marital status that you indicate on Line 2 of Form W-4P.

For more information about taxes, please see the TSP tax notice *Important Tax Information About Payments From Your TSP Account*.

6. TSP Contact Information

If you have any questions regarding this tax notice, please contact the TSP ThriftLine toll free at 1-877-968-3778 (TDD: 1-877-847-4385). Outside the U.S. and Canada, please call 404-233-4400 (not toll free).

Uniform Lifetime Table for Calculating Minimum Distributions*

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	90	11.4	110	3.1
71	26.5	91	10.8	111	2.9
72	25.6	92	10.2	112	2.6
73	24.7	93	9.6	113	2.4
74	23.8	94	9.1	114	2.1
75	22.9	95	8.6	115+	1.9
76	22.0	96	8.1		
77	21.2	97	7.6		
78	20.3	98	7.1		
79	19.5	99	6.7		
80	18.7	100	6.3		
81	17.9	101	5.9		
82	17.1	102	5.5		
83	16.3	103	5.2		
84	15.5	104	4.9		
85	14.8	105	4.5		
86	14.1	106	4.2		
87	13.4	107	3.9		
88	12.7	108	3.7		
89	12.0	109	3.4		

* A required minimum distribution is calculated as illustrated in the following example: The participant reaches age 75 in 2016. As of December 31, 2015 (the last day of the calendar year immediately preceding the calendar year for which the required distribution will be made), the value of the participant's TSP account was \$229,000. Based on the table above, the expected distribution period (in years) for a 75-year-old individual would be 22.9, so the participant would divide \$229,000 by 22.9. Through this calculation, the participant would determine that the calendar year 2016 would require a minimum distribution of \$10,000.