



# 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.

# Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants

This notice provides an overview of how required minimum distributions (RMDs) apply to you as the holder of a beneficiary participant 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 discussed in this tax notice only apply to a TSP beneficiary participant account (i.e., an account inherited by the spouse beneficiary of a deceased civilian or uniformed services TSP participant). If you have a TSP civilian account or a uniformed services account, refer to the TSP tax notice *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*. 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 annual distributions from your beneficiary participant account within certain deadlines. Your entire TSP account balance—including both traditional and Roth—is subject to these required minimum distributions (RMDs). We calculate any RMDs to be paid **in the year of the participant's death** using the *deceased participant's* age and 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. **In the years following the deceased participant's death**, we calculate the annual amount of your RMD using *your age*, your prior year-end account balance, and the Single Life Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-1, as published in the Federal Register on April 17, 2002.<sup>1</sup> (See the tables at the end of this notice.)

**Note:** If your TSP account record has incorrect dates for your spouse's birth or death, you may not receive a payment that satisfies the minimum distribution requirement by the applicable deadline in your spouse's year of death. 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. This could also happen in the years following your spouse's year of death if your TSP account has an incorrect date of birth for you. To avoid this penalty, you must be sure that the information in your TSP record is correct. Check the welcome letter that you received when we established your beneficiary participant account to verify that your date of birth, your spouse's date of birth, and your spouse's date of death are correct. Call us at the number provided in section 6 of this notice to make corrections.

<sup>1</sup> If you have more than one TSP account, the RMD is calculated separately for each account.

## 2. When do I need to begin receiving RMDs?

### Don't be confused by "required beginning date."

The IRS term "required beginning date" does not refer to the date that you, the beneficiary participant, must begin receiving RMDs. It's needed in order to determine that date, but they are not the same thing. The required beginning date is defined as April 1 of the year following the year a participant reaches age 70½ or separates from government service, whichever is later. For example, if a participant was born on June 1, 1945, and separated from federal service at age 60, the required beginning date would be April 1, 2016, since the participant would turn 70½ on December 1, 2015. **The date on which you, the beneficiary, must begin receiving RMDs depends on whether the deceased participant died before or on/after his or her required beginning date.**<sup>2</sup>

### Participant's Date of Death Is Before Required Beginning Date

If the TSP participant dies before his or her required beginning date, you, as the beneficiary, must begin receiving annual RMDs by either December 31 of the year the deceased participant would have turned 70½ or December 31 of the year following the year the participant died, whichever is later. You must continue to receive distributions by December 31 of each subsequent year. Since you will not have an RMD for the year of your spouse's death, we will base all of your RMDs on your age, not your spouse's.

<sup>2</sup> The required beginning date for a participant over 70½ who **dies before separating from federal service** is April 1 of the year following the year of death. So that situation is covered by the rules for when the participant's date of death is before the required beginning date.



In the following examples, the deceased participant's date of birth is May 1, 1940, so he would turn 70½ on November 1, 2010. Therefore, his required beginning date would be April 1, 2011.

**Example 1:** The participant dies March 30, 2005. The beneficiary participant is not required to begin receiving RMDs until December 31, 2010, the year the participant would have turned 70½, because that is the later of the two dates. RMDs must continue to be paid by December 31 of each subsequent year.

**Example 2:** The participant dies March 30, 2010. The beneficiary participant must begin receiving RMDs by December 31, 2011. Rather than issuing an RMD by December 31, 2010, the year the participant turned 70½, we issue the RMD to the beneficiary participant on December 31 of the year following the date of death because that is the later of the two dates. The beneficiary participant must continue to receive RMDs by December 31 of each subsequent year.

**Example 3:** The participant dies February 20, 2011. He made a withdrawal that satisfied his RMD on December 20, 2010, before his required beginning date (April 1, 2011). The beneficiary participant must begin receiving annual RMDs by December 31, 2012, the year following the year of death, since that date is later than December 31 of the year the participant turned 70½. RMDs must continue to be paid by December 31 of each subsequent year. *The fact that the participant had satisfied his requirement for the year he turned 70½ prior to his required beginning date does not have any effect on the RMD rules for the beneficiary participant.*

### **Participant's Date of Death Is On or After Required Beginning Date**

If the TSP participant dies on or after his or her required beginning date, you, as the beneficiary, must begin receiving RMDs by December 31 of the year of the participant's death unless the participant had already received that year's RMD. That first year's RMD will be calculated based on your spouse's age. You must continue to receive RMDs based on your age in each of the years that follow.

In the following examples, the deceased participant's date of birth is May 1, 1940, so she would turn 70½ on November 1, 2010. Therefore, her required beginning date would be April 1, 2011.

**Example 1:** The participant dies April 15, 2011. She made a withdrawal that satisfied her RMD for the year she turned 70½ (her 2010 RMD) on December 20, 2010, before her required beginning date. The beneficiary participant must receive the 2011 RMD based on the deceased participant's age by December 31, 2011, and receive RMDs based on the beneficiary participant's age by December 31 of each subsequent year. *The fact that the participant had satisfied her requirement for the year she turned 70½ prior to her required beginning date does not have any effect on the RMD rules for the beneficiary participant.*

**Example 2:** The participant dies February 1, 2018. She had been receiving her RMDs every year since 2011 but had not yet received a withdrawal in 2018. The beneficiary participant must receive an RMD based on the deceased participant's age by December 31, 2018, and receive RMDs based on the beneficiary participant's age by December 31 of each subsequent year. *The fact that the participant had already received RMDs for previous years does not have any effect on the RMD rules for the beneficiary participant.*

**Example 3:** The participant dies February 1, 2018. She had been receiving annual installment payments that satisfy her RMD. Her annual payment date was January 10,<sup>3</sup> so she'd already received her RMD for 2018 before she died. The beneficiary participant does not have an RMD for 2018 but must begin receiving RMDs based on the beneficiary participant's age by December 31 of each subsequent year starting in 2019.

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

Near the beginning of each year, we will tell you what your RMD is for that year. Your RMD may be fully or partly

<sup>3</sup> This is only for this example. The date of an annual payment varies from participant to participant and could happen at any time of year. The payments begin whenever the request for them is processed.

### **Required Minimum Distribution Rules for Beneficiary Participant Accounts**

<b>Date of death is:</b>	<b>Payment required in year of death</b>	<b>Payment required in years following year of death*</b>
<b>Before required beginning date</b>	No RMD payment required for beneficiary participant	Must begin receiving annual RMDs by either 12/31 of the year the deceased participant would have turned 70½ or 12/31 of the year following the year of death, whichever is later. Must continue to receive RMDs by 12/31 of each year thereafter.
<b>On or after required beginning date (4/1)</b>	Payment required by 12/31 of the year of death, unless already paid**	Must receive an annual RMD by 12/31 of each year following the year of the participant's death.

\* Payments will be calculated using the previous year-end account balance and the beneficiary participant's age.

\*\* Whether or not the deceased participant had begun receiving RMDs is irrelevant. The determining factor is whether the participant died before his or her required beginning date (April 1) or on/after his or her required beginning date. Payment will be based on the prior year-end account balance and the deceased participant's age.

satisfied by 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 in December.

**Different treatment of annuity purchases.** When you receive an installment payment or a single withdrawal, your RMD is simply reduced by the amount you receive. We're required to

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](http://tsp.gov) to update your address.

treat annuity purchases differently however. Instead of reducing your RMD by the amount you used to purchase the annuity, we reduce the RMD by the percentage your purchase makes up of your total account balance. 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.

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

No. RMDs 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 an RMD of \$4,545. You make a full 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 RMD, 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, RMDs 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 RMDs 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.

### Single Life Table for Calculating Minimum Distributions\*

Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy
0	82.4	28	55.3	56	28.7	84	8.1
1	81.6	29	54.3	57	27.9	85	7.6
2	80.6	30	53.3	58	27.0	86	7.1
3	79.7	31	52.4	59	26.1	87	6.7
4	78.7	32	51.4	60	25.2	88	6.3
5	77.7	33	50.4	61	24.4	89	5.9
6	76.7	34	49.4	62	23.5	90	5.5
7	75.8	35	48.5	63	22.7	91	5.2
8	74.8	36	47.5	64	21.8	92	4.9
9	73.8	37	46.5	65	21.0	93	4.6
10	72.8	38	45.6	66	20.2	94	4.3
11	71.8	39	44.6	67	19.4	95	4.1
12	70.8	40	43.6	68	18.6	96	3.8
13	69.9	41	42.7	69	17.8	97	3.6
14	68.9	42	41.7	70	17.0	98	3.4
15	67.9	43	40.7	71	16.3	99	3.1
16	66.9	44	39.8	72	15.5	100	2.9
17	66.0	45	38.8	73	14.8	101	2.7
18	65.0	46	37.9	74	14.1	102	2.5
19	64.0	47	37.0	75	13.4	103	2.3
20	63.0	48	36.0	76	12.7	104	2.1
21	62.1	49	35.1	77	12.1	105	1.9
22	61.1	50	34.2	78	11.4	106	1.7
23	60.1	51	33.3	79	10.8	107	1.5
24	59.1	52	32.3	80	10.2	108	1.4
25	58.2	53	31.4	81	9.7	109	1.2
26	57.2	54	30.5	82	9.1	110	1.1
27	56.2	55	29.6	83	8.6	111+	1.0

\* A required minimum distribution is calculated as illustrated in the following example: The deceased participant was born on October 31, 1957, and dies on December 1, 2015, at the age of 58. The beneficiary participant must begin receiving annual required minimum distributions by December 31, 2028 (the end of the year in which the participant would have reached age 70½). As of December 31, 2027 (the last day of the calendar year immediately preceding the year for which the required distribution will be made), the beneficiary participant account balance was \$210,000. The beneficiary participant is age 65 in 2028. Based on the table above, the life expectancy (in years) for a 65-year-old individual is 21, so the beneficiary participant would divide \$210,000 by 21. Through this calculation, the beneficiary participant would determine that the calendar year 2028 would require a minimum distribution of \$10,000.