

TSP Withdrawal Options

Overview

If you are still employed and want to withdraw your TSP account, there are two types of In-Service withdrawal options available:

- Age-Based Withdrawals
- Financial Hardship Withdrawals

When you leave Federal employment, the TSP provides several options to withdraw your account:

- You can make partial withdrawals of all or any portion of your account.
- You can make a full withdrawal of your account by any one, or combination, of the following methods:
 - A single payment
 - A series of installment payments
 - A life annuity
 - You can make a mixed withdrawal by a combination of any of the two or all three of the full withdrawal options

If you do not want to withdraw your account when you leave Federal service, you can leave your entire account balance in the TSP. However, you must begin taking required minimum distributions when you reach the age of 72 (if you are separated from Federal service.) Minimum distributions will apply to the entire account balance (pre-tax and after-tax). Distributions will be made on a pro-rata basis, with a proportional amount from Traditional and Roth balances, if applicable.

When you are ready to make a withdrawal election, use the online tools in My Account on the TSP's website. Choose the "Withdrawals and Changes to Installment Payments" link from the Online Transactions menu.

You must be separated for 31 or more full calendar days to be eligible to withdraw your account. Once your withdrawal is processed, you cannot return it. If you elected to receive all

or a portion of your account in a series of installment payments, you can stop, start, change frequency, amount and type at any time. You can also change your election to a final single payment or change where your payments are being sent.

Additional information may be found in the TSP booklets, *Withdrawing From Your TSP Account for Separated and Beneficiary Participants* and *Summary of the Thrift Savings Plan for Federal Employees*.

In-Service Withdrawals

There are two types of TSP withdrawal options available to federal employees while still working:

Age-Based Withdrawals

If you are age 59 1/2 or older, you can make up to 4 withdrawals each year of all or a portion of your vested account balance.

Withdrawals can come from Roth balance only, Traditional balance only, or a pro-rata basis, with a proportional amount taken from both Traditional and Roth balances, if applicable.

The maximum amount you can withdraw is your vested account balance. You cannot request an amount less than \$1,000 unless your entire vested account balance is less than \$1,000.

Any portion of an age-based withdrawal from your Traditional balance will be taxable income in the year the distribution is made, but will not be subject to the 10% penalty for early withdrawal.

To apply for an age-based in-service withdrawal, use the online tools in My Account on the TSP's website.

Financial Hardship Withdrawals

If you can demonstrate financial hardship, you may withdraw an amount equal to your own contributions and earnings (limited to the amount of financial need).

You cannot request to withdraw less than \$1,000.

Financial hardship withdrawals can come from Roth balance only, Traditional balance only, or a pro-rata basis, with a proportional amount taken from both Traditional and Roth balances, if applicable.

Financial hardship withdrawals can be made an unlimited number of times and there is no age restriction.

Any portion of a financial hardship withdrawal from your Traditional balance will be taxable income in the year the distribution is made, and will be subject to the 10% penalty for early withdrawal if you receive payment before age 59 1/2.

To apply for a financial hardship in-service withdrawal, use the online tools in My Account on the TSP's website.

Age-based and financial hardship withdrawals result in the permanent reduction of your TSP account. The money may not be repaid and you cannot convert your withdrawal to a loan.

Additional information may be found in the TSP booklet, TSP In-Service Withdrawals which is available on the TSP website.

Leaving Your Money in the TSP

After you leave Federal service, you can leave your entire account balance in the TSP, subject to some restrictions. You do not need to take any action until you are ready to make a withdrawal election or you are approaching the required withdrawal date for minimum distributions.

Your account will continue to accrue earnings and you can continue to make interfund transfers. You can also transfer in eligible distributions from other qualified retirement plans and traditional IRA's

When you are ready to make a withdrawal election, use the online tools in My Account on the TSP's website. Choose the "Withdrawals and

Changes to Installment Payments" link from the Online Transactions menu.

Additional information may be found in the TSP booklet, Withdrawing From Your TSP Account for Separated and Beneficiary Participants, which is also available from the TSP website.

Partial or Full Payment Option

You can request either a partial or a full withdrawals through the TSP website.

When you request your withdrawal, you should be aware that you may not be able to complete your request on-line. For example, if you are a married FERS participant, you will not be able to complete your request for a partial withdrawal because you will need your spouse's consent for that withdrawal. If you request a full withdrawal and your account balance is more than \$3,500, your spouse must waive his or her right to the prescribed annuity. Also, you will not be able to complete a request for a transfer to a traditional Individual Retirement Account (IRA) or eligible employer plan because it requires certification from your financial institution or plan. However, when you use the TSP website in these types of situations, you will be able to print out your partially completed form, obtain any necessary signatures, information, or documentation, and send the form to the TSP Service Office.

Series of Installment Payments

When you leave Federal employment, one of your options will be to receive your TSP account balance in a series of installment payments immediately or at a later date; however, you must be separated from Federal service for at least 31 days before your account can be paid out. If your payments are expected to last less than 10 years, you may transfer all or part of your installment payments to an Individual Retirement Account (IRA) or other eligible retirement plan. You can choose how your payments will be calculated.

You may elect a fixed dollar amount (e.g., \$500 per month) or have your account balance paid

out based on your life expectancy. The IRS combined life expectancy table is used if you elect this option.

You may have your payments begin immediately when you separate or at some later date. Tax penalties may apply if you separate or retire before the year in which you turn 55 (or age 50 for separated Special Group employees) and withdraw funds before age 59 1/2.

Additional information can be found in the TSP booklet, *Withdrawing From Your TSP Account for Separated and Beneficiary Participants*, and TSP notice, "Important Tax Information About Payments From Your TSP Account" which may be obtained from the TSP website.

Annuities

When you leave Federal employment, one of your options will be to elect a TSP annuity. This is a benefit paid each month to you or your survivor for life. The TSP purchases the annuity on your behalf from Metropolitan Life Insurance Company of New York. To purchase an annuity, your account balance must be at least \$3,500. Two annuities will be purchased in the event you have both Traditional and Roth balances (one for each balance).

The TSP offers three basic types of annuities:

- A single life annuity, which is an annuity paid only during your lifetime.
- A joint life annuity, which is an annuity paid to you while you and your spouse are alive. When either of you dies, an annuity will be paid to the survivor for life.
- A joint life annuity with someone other than your spouse, which is an annuity paid to you while you and a person chosen by you (but not your spouse) are alive. This person must have an insurable interest in your life. When either of you dies, an annuity will be paid to the survivor for life.

Once you choose either a single or joint life annuity, you must also choose whether you want to receive level or increasing payments. Additional annuity features include the cash refund and the 10-year certain.

The amount of your monthly annuity payments depends on your TSP account balance used to purchase the annuity, your age (and the joint annuitant's age, if a joint annuity is purchased), the annuity option you elect, and the interest rate index based on a moving average of the 10-year U.S. Treasury rate, when the annuity is purchased.

Additional information can be found in TSP Fact Sheet 24, *Annuities*, which can be obtained on the TSP website.

Annuity Options/Features

When you leave Federal employment, one of your options will be to elect a TSP annuity. The following is a brief description of the available annuities.

If a single life annuity is selected, you may choose from the following annuity options/features:

- Level or Increasing Payments
- Cash Refund or No Cash Refund
- Ten-Year Certain or No Ten-Year Certain

If a joint life annuity is selected, the amount of the annuity paid to you and your joint annuitant while you and your joint annuitant are alive and the annuity paid to the survivor depends on whether you choose:

- 50% or 100% Survivor Annuity
- Level or Increasing Payments
- Cash Refund or No Cash Refund

50 Percent Survivor Annuity (joint life annuity only) - The amount of the monthly annuity to the survivor, whether the survivor is you or your joint annuitant, is half (50%) of the monthly annuity made while both you and your joint annuitant were alive.

100 Percent Survivor Annuity (joint life annuity only) - The amount of the monthly annuity to the survivor is the same as the monthly annuity paid while both you and your joint annuitant were alive. The amount of the monthly annuity while you and your joint annuitant are both alive is generally less than if you select the 50 percent survivor annuity.

Level Payments - The monthly annuity remains the same from year to year. If you select a single life annuity, you receive the same monthly annuity as long as you live. If a joint life annuity is selected, the amount of the monthly annuity remains the same as long as you and your joint annuitant are alive. The monthly annuity to the survivor (50% or 100%) remains the same as long as the survivor is alive.

Increasing Payments - The monthly annuity changes each year on the anniversary date of the first annuity payment. The amount of the change is based on the change (if any) in the consumer price index. Increases cannot exceed 3 percent per year, but monthly payments cannot decrease, even if the consumer price index decreases. Increasing payments cannot be combined with a joint life annuity when the joint annuitant is someone other than your spouse.

Cash Refund - If you (and your joint annuitant, if applicable) die before an amount equal to the balance used to purchase your annuity has been paid out, the difference between the balance used to purchase your annuity and the sum of the monthly payments already made will be paid to your beneficiary in a lump sum.

Ten-Year Certain - If you die before receiving annuity payments for a 10-year period, payments will continue to your beneficiary for the rest of the 10-year period. If you live beyond the 10-year period, you continue to receive payments, but with no further provision for payments to a beneficiary upon your death. This feature cannot be combined with a joint life annuity.

Additional information can be found in TSP Fact Sheet 24, Annuities which can be obtained from the TSP website.

Transfer to an IRA

Your TSP account is a portable retirement benefit. This means that when you leave Federal employment, one of your options will be to transfer your TSP account balance to an Individual Retirement Account (IRA) or other eligible retirement plan; however, you must be separated from Federal service for at least 30 days before your account can be paid out. You may separately transfer any portion of Traditional and Roth balances to IRAs or other eligible retirement plans.

If you choose to receive your account in a single payment, you can have the TSP transfer all or part of your account balance to an IRA or other eligible retirement plan. The amount not transferred will be paid directly to you.

If you choose to receive your account in a series of installment payments, in some cases you can have the TSP transfer all or part of each installment payment to an IRA or other plan. The TSP can transfer installment payments that are expected to last less than 10 years and are not based on the IRS life expectancy table.

To request a transfer use the online tools in My Account on the TSP's website.

Additional information may be found in the TSP booklet, *Withdrawing From Your TSP Account for Separated and Beneficiary Participants*, which is available on the TSP website.