TSP Transfers and Rollovers: How, When, and Why (or Why Not!)

Presented by:
Federal Retirement Thrift Investment Board
March 2015
Transfers and Rollovers

• Transfer (aka *direct rollover*)
  – Money moves directly from one account or retirement plan to the other

• Rollover (aka *60-day or indirect rollover*)
  – You must complete the transaction within 60 days
  – May result in taxes, withholdings, and/or penalties if not properly executed
IRAs and “Plans”

- **IRAs** – Individual Retirement Accounts (or Individual Retirement Arrangements), including:
  - Traditional
  - Roth
  - SIMPLE

- **Plans** – eligible employer plans, including:
  - TSP
  - 401(k)
  - Profit-sharing plans
  - 403(b) plans
  - 457(b) plans
When can I make a transfer or rollover?

• The TSP can accept **inbound** rollovers and transfers any time, as long as your account is open and has a balance greater than $0.00

• The TSP can only make **outbound** transfers as part of certain withdrawals (see the Tax Notice, TSP-536, *Important Tax Information About Payments From Your TSP Account*, for more information)
More on Eligible Rollover Distributions

Important Tax Information About Payments From Your TSP Account

Before you decide how to receive the money in your Thrift Savings Plan (TSP) account, you should review the important information in this notice. Although the TSP can assist you with your withdrawal, we cannot provide tax advice. Because tax rules are complex, you may wish to speak with a tax advisor before you make any withdrawal decisions.

You can find more specific information on the tax treatment of payments from retirement plans like the TSP in IRS Publication 575, Pensions and Annuities Income, IRS Publication 590, Individual Retirement Arrangements (IRAs), and IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits. (See Section 6, Resources)

1. Your TSP Account Balance

The tax treatment of your payments depends on the type of money you have in your TSP account. Your TSP account may consist of a traditional (non-Roth) or Roth balance, or both.

Your traditional (non-Roth) balance is made up of all the accumulated earnings in your TSP account. The earnings on these contributions are subject to federal income tax when you receive payments or distributions. The tax treatment of earnings depends on whether the payment is a qualified distribution, which means that the earnings are considered part of your return of principal, and are subject to federal income tax. If you have a non-Roth balance, any earnings are subject to federal income tax.

Your Roth balance is made up of all the accumulated earnings in your TSP account. The earnings on these contributions are subject to federal income tax when you receive payments or distributions. The tax treatment of earnings depends on whether the payment is a qualified distribution, which means that the earnings are considered part of your return of principal, and are subject to federal income tax. If you have a Roth balance, any earnings are subject to federal income tax.

2. General Tax Information

If you have a traditional (non-Roth) balance in your TSP account, you have a non-Roth, traditional balance. If you have a Roth, you may receive tax-free distributions from your account. You may choose to receive payments from your Roth account. The tax treatment of earnings depends on whether the payment is a qualified distribution, which means that the earnings are subject to federal income tax. If you have a non-Roth balance, any earnings are subject to federal income tax. If you have a Roth balance, any earnings are subject to federal income tax.

The tax treatment of earnings depends on whether the payment is a qualified distribution, which means that the earnings are subject to federal income tax. If you have a non-Roth balance, any earnings are subject to federal income tax. If you have a Roth balance, any earnings are subject to federal income tax.

What's New for 2014

Publication 590 has been split into two separate publications as follows:

• Publication 590-A, covers contributions to traditional IRAs as well as Roth IRAs. This publication will include the rules for rollover and conversion contributions.

• Publication 590-B, covers distributions from traditional IRAs as well as Roth IRAs. This publication will include the rules for required minimum distributions and rollover contributions.

Modified AGI limit for traditional IRA contributions is announced. For 2014, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced gradually if your modified AGI is:

• More than $115,000 but less than $125,000 for a married couple filing a joint return or a qualifying widow (er)

• More than $65,000 but less than $70,000 for a single individual or head of household, or
Inbound Transfers and Rollovers

Note: Cannot transfer/rollover Roth, Education and Inherited IRA into the TSP.

TSP-60

TSP-60R

Traditional TSP Balance

Roth TSP Balance*

*Transfers only - TSP cannot accept Roth rollovers
Outbound Transfers and Rollovers

Note: Cannot transfer/rollover Roth, Education and Inherited IRA into the TSP Employer plan (pre-tax)

<table>
<thead>
<tr>
<th>Traditional TSP Balance</th>
<th>Employer plan (pre-tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traditional IRA</td>
</tr>
<tr>
<td></td>
<td>Roth IRA</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Roth TSP Balance</th>
<th>Employer plan (Roth acct)*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Roth IRA</td>
</tr>
</tbody>
</table>

*Transfers only – rollovers not permitted to designated Roth accounts in employer plans
Outbound Transfers
Choice of Tax Regimes

Traditional TSP
- Deferred taxes
- No withholding
- No penalty

Traditional IRA or employer plan

Roth TSP
- Deferred taxes (if applicable)
- No withholding
- No penalty

Roth IRA or employer plan*

*Note: money from your traditional TSP balance may be transferred to a Roth IRA, but not to the Roth balance of an employer plan
II. INFORMATION FROM IRA OR PLAN — This section must be completed by the trustee (or custodian) of the IRA or by the administrator of the eligible employer plan from which the distribution is being (or was) made. Be sure to read the instructions for certification requirements for rollovers. Also, if this distribution is from a SIMPLE IRA, you must provide written documentation showing the period of participation.

12. This is a:  
   - [ ] Transfer (Direct Rollover)  
   - [ ] Rollover  
   (For definitions, see the General Information section of this form.)

13. This distribution is from a(n):  
   - [ ] Traditional IRA  
   - [ ] SIMPLE IRA  
   - [ ] Eligible Employer Plan

14. Gross amount of tax-deferred distribution:  
   - $ [ ] , [ ] , [ ] , [ ] [ ]

15. [ ] / [ ] / [ ]
   Date of Distribution (mm/dd/yyyy)

Certification — I certify that the funds are being (or have been) distributed from an eligible retirement plan as defined in IRC § 402(c)(8)(B) and as described in the General Information section of this form.

16. [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
   Typed or Printed Name of Financial Institution Representative or Plan Administrator

17. [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
   Daytime Phone (Direct Number)

18. [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
   Signature of Financial Institution Representative or Plan Administrator

19. [ ] / [ ] / [ ] [ ] [ ] [ ] [ ]
   Date Signed (mm/dd/yyyy)
Thrift Savings Plan

TSP-70
Request for Full Withdrawal
June 2013
Requesting An Outbound Transfer

IV. WITHDRAWAL ELECTION—This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. 10.0%  Single Payment

b. 20.0%  Life Annuity  [Must equal $3,500 or more. Also complete Page 6.]

c. 70.0%  TSP Monthly Payments → Tell us how to pay your monthly payments:

$___________________________  .00 per month ($25.00 or more)

OR

Compute my payments based on my life expectancy.

V. TRANSFER ELECTION

24. ☒ I would like to transfer all or a portion of my single payment and/or eligible monthly payments (indicated in Section IV) to an IRA or eligible employer plan. [See instructions for an explanation of eligible monthly payments. Note: You must include the completed applicable transfer page[s] from this form with your withdrawal request package.]
X. TRANSFER INFORMATION FOR TRADITIONAL BALANCE — This section is to be completed by the IRA trustee or plan administrator. The account described here must be a traditional IRA, eligible employer plan, or Roth IRA. Please return this completed form to the participant. Do not submit transfer forms of financial institutions or plans.

38. Type of Account:  
   □ Traditional IRA  □ Eligible Employer Plan  □ Roth IRA

39.  
   IRA/Plan Account Number or Other Customer ID

40. □ Check this box if tax-exempt balances are accepted into the account identified above.

41. Provide the name and mailing address information below exactly as it should appear on the front of the check.

   Make check payable to

   If needed, use these boxes to supplement “check payable to” information above.

   Street Address

   City  State  Zip Code

Only the financial institution or plan should complete this information. It will be used to identify the account that will receive the transfer.

I confirm the accuracy of the information in this section and the identity of the individual named above. As a representative of the financial institution or plan to which the funds are being transferred, I certify that the financial institution or plan agrees to accept the funds directly from the Thrift Savings Plan and deposit them into the IRA or eligible employer plan identified above.
Request for Full Withdrawal: Uniformed Services

I would like to receive my **Single Payment** as:

- A single sum paid directly to me
- A complete (100%) transfer to a traditional IRA, eligible employer plan, or Roth IRA
- A partial transfer of ___ % to traditional IRA, eligible employer plan, or Roth IRA and the remainder paid directly to me

Any amount paid directly to you will be subject to mandatory 20% Federal income tax withholding. If you transfer all or any part of your **Single Payment** to a Roth IRA, you must pay tax on the amount you transfer; the tax must be paid for the year the transfer is made.
What should I consider?

- Investment Options
- Fees and Expenses
- Services
- Early Withdrawal Penalty
- Required Minimum Distributions
What’s the bottom line?

- Different types of accounts can differ in unexpected ways
- The destination account determines what rules, costs, and restrictions will apply to your money
- Take a careful, holistic look at all your options before you leap
Investment Options

• IRAs
  – Might offer more investment options than a plan
• Plans (including TSP)
  – May be able to offer lower cost (“institutional”) share classes
  – Investment menus are selected and monitored by plan fiduciaries
• TSP
  – Offers 5 low-cost, passively managed funds
We offer 5 core funds that you can customize based on your comfort level...

For more comprehensive information, visit the Forms & Publications section of tsp.gov and scroll to “Fund Sheets at a Glance.”
“The five core [TSP] investment alternatives span the risk/return spectrum and include what we would consider to be all of the core building blocks to build a diversified investment portfolio.”

Fees and Expenses

• Investment-related expenses may include
  – Sales loads
  – Commissions
  – Mutual fund expenses
  – Investment advisory fees
• IRA account fees may include
  – Administrative, account set-up and custodial fees
• Plan fees typically include
  – Plan administrative fees (e.g., recordkeeping, compliance, trustee fees)
  – Fees for services such as access to a customer service representative
• TSP administrative expenses are reflected in daily share prices
  – Plan loans incur a separate transaction fee
Tracking the TSP Investment Funds
F Fund Facts

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Barclays Capital U.S. Aggregate Bond Index, formerly the Lehman Brothers U.S. Aggregate Bond Index, a broadly diversified index of U.S. bond market.

The U.S. Aggregate Index consists of high-quality fixed-income securities with maturities of more than one year. The Index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2014, the Index included 9,279 notes and bonds. Its yield to maturity was 2.25%. The average duration is measure of interest rate risk of the U.S. Aggregate Index, was 5.37 years, which meant that a 1% increase/decrease in interest rates could be expected to result in a 5.07% decrease/increase in the price of a security. New issues are added annually to the U.S. Aggregate Index, and older issues drop out as they move to within one year of maturity.

F Fund Investments—The F Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company N.A. Because the U.S. Aggregate Index contains such a large number of securities, it is not feasible for the F Fund to invest in each security in the Index. Instead, BlackRock selects a large representative sample of the various types of asset-backed, U.S. Government, corporate, and foreign government securities included in the overall Index. Within each sector, BlackRock selects securities that, as a whole, are designed to match important Index characteristics such as duration, yield, and credit rating. The performance of the F Fund is evaluated on the basis of how closely its returns match those of the U.S. Aggregate Index.

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP Funds. For each calendar month, the first two IFTs can redistribute money among any or all of the TSP Funds. After that, for the remainder of the month, IFTs can only move money into the G Fund. (For participants with more than one TSP account, the rule applies to each account separately.)

As of December 31, 2014

Information
- Assets: $182.7 Billion
- Net Administrative Expenses: $0.28 per $1,000 account balance
- Benchmark Index: Standard & Poor's 500

Key Features
- The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard & Poor's 500 Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks and dividend income.

Growth of $100

<table>
<thead>
<tr>
<th>Year</th>
<th>C Fund*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year</td>
<td>13.78%</td>
</tr>
<tr>
<td>3-Year</td>
<td>20.49%</td>
</tr>
<tr>
<td>5-Year</td>
<td>15.50%</td>
</tr>
<tr>
<td>10-Year</td>
<td>10.43%</td>
</tr>
</tbody>
</table>

Since Inception January 29, 1988

* After expenses

Wells Fargo & Company
General Electric Company
Fannie Mae
General Motors
Boeing
Chase Corporation

Thrift Savings Plan | Page 7
To understand how the TSP calculates rates of return for any given period of time and determines compound annual returns, read the Fact Sheet Calculating Periodic Returns and Compound Annual Returns.

**Individual/Index Funds Annual Returns (past 5 Yrs)**

<table>
<thead>
<tr>
<th>Year</th>
<th>G Fund</th>
<th>F Fund</th>
<th>U.S. Agg. Bond Index</th>
<th>C Fund</th>
<th>S&amp;P 500 Index</th>
<th>S Fund</th>
<th>DJ U.S. Completion TSM Index</th>
<th>I Fund</th>
<th>EAFE Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.81%</td>
<td>6.71%</td>
<td>6.54%</td>
<td>15.06%</td>
<td>15.06%</td>
<td>29.06%</td>
<td>28.62%</td>
<td>7.94%</td>
<td>7.75%</td>
</tr>
<tr>
<td>2011</td>
<td>2.45%</td>
<td>7.89%</td>
<td>7.84%</td>
<td>2.11%</td>
<td>2.11%</td>
<td>(3.38%)</td>
<td>(3.76%)</td>
<td>(11.81%)</td>
<td>(12.14%)</td>
</tr>
<tr>
<td>2012</td>
<td>1.47%</td>
<td>4.29%</td>
<td>4.22%</td>
<td>16.07%</td>
<td>16.00%</td>
<td>18.57%</td>
<td>17.89%</td>
<td>18.62%</td>
<td>17.32%</td>
</tr>
<tr>
<td>2013</td>
<td>1.89%</td>
<td>(1.68%)</td>
<td>(2.03%)</td>
<td>32.45%</td>
<td>32.39%</td>
<td>38.35%</td>
<td>38.05%</td>
<td>22.13%</td>
<td>22.78%</td>
</tr>
<tr>
<td>2014</td>
<td>2.31%</td>
<td>6.73%</td>
<td>5.97%</td>
<td>13.78%</td>
<td>13.69%</td>
<td>7.80%</td>
<td>7.63%</td>
<td>(5.27%)</td>
<td>(4.90%)</td>
</tr>
</tbody>
</table>

Percentages in ( ) are negative.

The returns of the four benchmark indexes do not reflect any deductions for administrative expenses, trading costs, or investment fees.
Services

• IRA providers offer different levels of service, which may include
  – Brokerage services
  – Investment advice
• TSP provides access to
  – Planning tools
  – Telephone help line (the ThriftLine)
  – Educational materials and workshops
  – Professionally designed portfolios (the Lifecycle Funds)
  – Income options
    • Monthly payments
    • Lifetime annuity payments
    • Supplemental payments to satisfy Required Minimum Distributions
TSP Services
Assistance and Education

On the phone

The TSP ThriftLine
Thank you for calling the TSP. I need to ask you a few questions to verify your identity.
877-968-3778

On the web

In print

In your workplace

TSP Transfers and Rollovers
- Active or separated participants may transfer or rollover into the TSP money from:
  - Eligible employer plans under the IRC
  - e.g., 401(k), 403(b), 457(b) or 457(f) governmental plans
  - After implementation of both TSP, the TSP will accept transfers (direct rollovers)
  - Both balances from eligible employer plans will not accept 60-day (rollover) rollovers of both balances.
  - Traditional, SIMPLE, and SEP individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the IRC
  - Does not include 403(b), education, or retirement IRAs.
  - Transfer from a SIMPLE IRA must be accompanied by documentation showing at least two years of participation.
  - Submit Form TSP-SS and Form TSP-80-R available from the TSP website.
  - The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file.
  - The amount will be reflected as employee contributions in the account after it has been valued by the TSP.
TSP Services
The Lifecycle Funds

Expected Risk

High

Low

Expected Return

L Income

G 74%

L 2020

C 28%

I 16%

G 42%

L 2030

S 13%

I 19%

C 35%

G 28%

L 2040

S 16%

I 22%

C 38%

G 19%

L 2050

S 18%

I 26%

C 42%

G Fund

F Fund

C Fund

S Fund

I Fund
TSP Services
Retirement Income Options

- TSP is designed to be an asset for life
- TSP income options provide a “retirement paycheck” to get you through, not just to retirement
  - Deferred income: You can do nothing at all and let your savings compound until you’re ready to start receiving income
  - Flexible income: Monthly payments allow you to retain control of the account and make your own investment decisions
  - Lifetime income: Life annuities provide actuarially determined payments for life
  - Custom solutions: Mixed withdrawals let you combine the flexibility of monthly payments with the security of life annuity payments
More on Your Retirement Income Options

Withdrawing Your TSP Account
After Leaving Federal Service

Single Payment • Monthly Payments • Life Annuities

March 2014
More on Your Retirement Income Options

www.youtube.com/watch?v=m9nq2DNa_wg

www.youtube.com/watch?v=3ykBcSMAsRc
Will I be subject to a penalty if I retire early?

- **IRAs**
  - Generally, you can’t take penalty-free withdrawals from an IRA until age 59½
  - Withdrawals for a few specific purposes are excepted

- **Plans (including TSP)**
  - If you leave your employer between ages 55 and 59½, you may be able to take penalty-free withdrawals from that employer’s plan

- **TSP life annuity payments and monthly payments computed by TSP are penalty-free regardless of your age**
What are the rules for RMDs?

• **IRAs**
  - Generally, you must begin receiving RMDs from your IRAs after turning 70½, regardless of whether you continue working
  - Roth IRAs are not subject to the required minimum distribution rules

• **Plans (including TSP)**
  - Roth balances in a plan are subject to the required minimum distribution rules
  - If you are still working at age 70½, you generally are not required to receive RMDs from your current employer’s plan

• **The TSP income options are designed to ensure that you receive the RMDs required by law**
Thinking about moving your TSP savings to another plan?

Watch this first...  
https://www.youtube.com/watch?v=NINMboa0mUM
Do the Math

... and use the interactive scorecard at https://www.tsp.gov/keepingscore/ to evaluate your options
QUESTIONS???