Government Executive

TSP Withdrawal Tips

By Tammy Flanagan

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Did you know that almost as many people transfer their money out of the Thrift Savings Plan when they leave federal service as leave it in?

The Federal Retirement Thrift Investment Board has reported that in 2016, close to $2.5 billion was taken out of the TSP in the form of cash payouts, and $5 billion left the plan as single payments that were transferred to individual retirement accounts or other retirement arrangements. Every month the TSP sends out about 178,000 ongoing monthly payments and more than 150,000 post-separation withdrawals and transfers of single cash payments. Even though many retirees opt to get monthly payments from their TSP funds after they leave, more than 30,000 partial withdrawal lump-sum payments also were processed last year.

In 2016, the TSP started a campaign called "Stay," directed at getting federal employees to think through all the options before deciding to move their funds out of the TSP upon leaving government. The campaign included two short YouTube videos: "Don't Move" and "Once You're Gone, You're Gone." It also featured a scorecard to help TSP participants through the process of deciding what to do with their funds.

Reasons to Stay

Here are some reasons to leave your money in the TSP after you separate from federal service:

- Low expense ratios: Expenses charged to each TSP account in 2016 were approximately 38 cents per $1,000 of investment. That's very good, by industry standards.
- The TSP has a fiduciary obligation to put your best interests first.
- Lifecycle funds are available to help you diversify your investment based on your projected retirement date.
- The C, F, G, S, and I funds offer broad market diversification with everything from a short-term U.S. Treasury security to index funds made up of domestic and international stocks.
- You decide how much you want to invest and where you want to put your money.
- Withdrawal options include a series of monthly payments that can be changed annually or computed based on your life expectancy. The TSP also has life annuity and cash payment options.
- There are no annual fees, back-end charges, surrender fees or commissions.
- By law, the funds in your TSP account are protected from the claims of creditors. Your account cannot be garnished to pay debts.

Reasons to Leave

The advantages of moving your TSP to an Individual Retirement Account or other type of account include:

- You can diversify your investments more specifically in market sectors such as technology, real estate and health care.
- A financial adviser, serving as a fiduciary, can help you develop a holistic plan that includes all of your assets and income needed to achieve your financial goals.
- You can control withdrawals by choosing to receive multiple partial payments or monthly payments that can be changed as needed. (But check with your plan to find out about specific options.)
- You have the flexibility to employ tax strategies to choose how your money is withdrawn and to target investments.
- Spousal consent to make changes is generally not required, as it is for married participants under the Federal Employees Retirement System.

Whatever you decide to do with your money, it pays to think through your options carefully. Oh, and by the way, if you would like to move money into the TSP from other retirement accounts, you can do that before or after you separate from federal service by using a Form TSP-60 or TSP-60R.

Photo: AAG.com

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