

## Looking for Expert Advice? TSP Has It.

By Tammy Flanagan

October 15, 2015

My previous two columns have focused on working with a financial professional to manage your Thrift Savings Plan investment. But it's important to know that the TSP itself is a good resource. Today, I will share some tips from TSP Supervisory Training and Liaison Specialist Randy Urban, who took part in a recent webinar titled, "Your TSP Account: What to Consider When Retiring from or Leaving the Government."

Urban pointed out that one of the best reasons to leave your money in the TSP is the low administrative expenses, which are based on the size of your account balance. For example, the G Fund's [expense ratio](#) for 2014 was .029 percent. Therefore, if you invested in the TSP in 2014, your earnings were reduced by 29 cents per \$1,000 of your TSP balance. That's substantially less than most private plans.

Here are some other things to consider about your TSP account:

If you apply for a TSP loan before you retire (or separate) and choose not to repay the loan balance after you leave service, this does not count as against the one-time post-separation partial distribution. But you should also know that this will delay the time that it takes to elect a post-separation withdrawal. The TSP will wait 90 days after separation to see if you are going to pay back the loan. In other words, a retiree cannot elect another TSP distribution for 90 to 120 days (the time it takes the agency to send the separation notice to the Thrift and the 90 day window for repaying the loan with a personal check). Although this strategy might delay your next post-separation withdrawal, it can be a way to get the use of some of your TSP funds prior to your retirement; although this will be a taxable distribution if you choose not to repay the loan.

Be aware of [tax penalties](#) if you separate before the year in which you reach age 55 or if you separate before the year in which you reached age 50 if you retired under special provisions for public safety officers (law enforcement officers, fire fighters or air traffic controllers). If you receive a TSP distribution before you reach age 59½, in addition to regular income tax you may also have to pay an early withdrawal penalty tax equal to 10 percent of any taxable portion of the distribution not transferred or rolled over. Separating in the year you turn age 55 or later is an exception to the 10 percent penalty tax if you elect monthly payments or a partial distribution directly from the TSP.

On June 29, President Obama signed the Defending Public Safety Employees' Retirement Act. This amends the Internal Revenue Code to allow specified federal law enforcement officers, customs and border protection officers, federal firefighters, and air traffic controllers who separate from service in or after the year they turn age 50 to make a withdrawal from the TSP without incurring a 10 percent early withdrawal penalty. The TSP is currently reviewing the law and how it applies to the TSP accounts of public safety officers. They expect to publish information on [www.tsp.gov](http://www.tsp.gov) in advance of the law's effective date of Dec. 31, 2015.

If you elect an [age-based in-service withdrawal](#), you have used up your [one-time post-separation partial distribution](#). You can make an age-based in-service withdrawal any time after you reach age 59½ as long as you are an active civilian federal employee or a member of the uniformed services.

The TSP Board is considering steps to make the withdrawal options more flexible. Stay tuned for more news on this soon.

To be sure that you are eligible to withdraw money from the TSP after you have left federal service, it is recommended that

you contact the [Thrift Line](#) to find out if the TSP has received your “separation notice” from your agency (and that any unpaid loan balances have been finalized). When calling the ThriftLine (1-877-968-3778), press #3 to speak to a live person.

Resources for managing the TSP can be found at [www.tsp.gov](http://www.tsp.gov):

- [Retirement Income Calculator](#)
- [Withdrawing your TSP Account After Leaving Federal Service](#)
- [Important Tax Information About Payments From Your TSP Account](#)

There’s also online training: The [TSP You Tube Channel](#) has a series of short clips designed to provide important and practical information about the TSP

If you have a chance to attend a TSP sponsored training event, I highly recommend you make time to do so.

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<http://www.govexec.com/pay-benefits/retirement-planning/2015/10/looking-expert-advice-tsp-has-it/122773/>