Managing Your Account for Beneficiary Participants

Benefits ◆ Investment Options

Checklist for Beneficiary Participants

- ✓ Safeguard your Thrift Savings Plan (TSP) account number, your web password, your ThriftLine Personal Identification Number (PIN), and your customized user ID to protect your account.

- ✓ Read about your TSP investment options, and decide whether you want to use one of our professionally designed Lifecycle Funds or manage your own TSP investments.

- ✓ Consider making an **interfund transfer** to move your account balance into the investment funds of your choice. Beneficiary participant accounts are initially invested 100% in the Lifecycle (L) Fund most appropriate for your age.

- ✓ Decide whether you want to designate beneficiaries for your account.

To learn more about the TSP, download a copy of *Your TSP Account: A Guide for Beneficiary Participants* from tsp.gov or call the ThriftLine. (See inside back cover.)

Welcome to the Thrift Savings Plan!

The Thrift Savings Plan (TSP) is a retirement benefit that allows employees of the U.S. government and members of the uniformed services to increase their retirement income by participating in a long-term savings and investment plan. It is similar to 401(k) plans available to many private sector employees.

When a TSP participant dies, his or her account is distributed according to Form TSP-3, *Designation of Beneficiary*, on file with the TSP, or, if no form is on file, according to the statutory order of precedence. (See page 4.)

Since you are a spouse beneficiary of a deceased TSP participant's account, and your share of the balance in the TSP account is $200 or more, a **beneficiary participant account** has been established for you in your name. You will receive a welcome letter that will contain your unique beneficiary participant account number and the identifying information the TSP has on file for you, including your deceased spouse's date of birth.[1] Please verify that all of the information contained in this letter is accurate. Contact us if you need to correct any errors.

Although you will not be able to make contributions to, borrow from, or transfer money into your beneficiary participant account, the TSP offers a number of other great features:

- TSP administrative expenses are lower than the industry average. These low costs increase your savings potential.
- For tax purposes, there are two ways that the money used to establish your beneficiary participant account can be treated, depending on whether you have a traditional and/or a Roth balance in your account.
- If you have an existing civilian or uniformed services TSP account, you can move the money

1 Your deceased spouse's date of birth is required in order for us to calculate any minimum distributions required by the Internal Revenue Code (IRC).

from your beneficiary participant account into that existing account.

- You have many investment options that provide broad diversification at a very low cost:
  - **Lifecycle Funds,** an automated investment tool that combines the TSP stock, bond, and government securities funds in professionally determined proportions based on when you expect to need your money; or
  - **Individual TSP Funds,** which you can combine in any way you choose.
- You can leave your money in the TSP, or you can choose from several withdrawal options.

To get the most out of the TSP, you need to make several important decisions about your account. This booklet will help you get started.

Getting Started

Your Beneficiary Participant Account Number

When your beneficiary participant account is established, you will receive a welcome letter that contains your unique account number. This account number will be the TSP's primary means of identifying your account and cannot be changed. **Note:** Your beneficiary participant account number is not the same as your civilian or uniformed services TSP account number if you have an existing TSP account from your own employment with the federal government or uniformed services, or another beneficiary participant account, if you have one.

Web Password and ThriftLine PIN

Separately, you will receive a web password for accessing your account on tsp.gov. When you log into your account for the first time using this password, you will be prompted to change it to one of your choice. You will also receive a Personal Identification Number (PIN), which you will need to access your account on the ThriftLine (1-877-968-3778), our automated voice response system. You will need your account number and either a web password or ThriftLine PIN to access your account through the website or the ThriftLine, respectively. It is very important that you keep your account number secure and accessible.

You can change your web password by visiting the My Account section of tsp.gov. You can also change the ThriftLine PIN to one of your choice by accessing your account on the ThriftLine. Your change will take effect immediately.

Web User ID

Although you cannot change your beneficiary participant account number, you can create a customized user ID to log into your account through the TSP website. You can establish a user ID by accessing your account on tsp.gov.

Requesting an Account Number, Web Password, or ThriftLine PIN

If you forget your beneficiary participant account number, you can use either the TSP website or ThriftLine to request that it be mailed to you again. If you forget or lose your TSP account password, visit the My Account section of tsp.gov or call the ThriftLine at 1-877-968-3778.

If you lose your PIN, you can request a new one on the ThriftLine. You can also contact us by mail. If you make a written request, you must include your beneficiary participant account number (or Social Security number) and date of birth in your letter.

You should receive your remailed account number, new web password, or new PIN within 3 – 5 business days, but it may take longer if you are in a remote location or outside of the United States.

Account Protection

Safeguard your beneficiary participant account number, web password, ThriftLine PIN, and customized user ID to protect your account. The TSP is not responsible for losses resulting from the unauthorized use of your account number, web password, ThriftLine PIN, or user ID. When using the TSP website, please ensure that your computer is protected against the latest viruses and malware. Additional information about internet security is available at tsp.gov and on many other government websites such as consumer.gov/idtheft or OnGuardOnline.gov. The TSP is not responsible for losses resulting from the use of a compromised computer.

Your Beneficiaries

In the event of your death, the money in your beneficiary participant account cannot remain in the TSP. We must distribute it directly to your beneficiary(ies). These payments cannot be transferred or rolled over into a traditional IRA, an eligible employer plan, a Roth IRA, or an inherited IRA.

If you do not designate beneficiaries for your account, we will distribute your account in accordance with the following statutory order of precedence:

1. To your spouse
2. If none, to your child or children equally, with the share due any deceased child divided equally among that child's descendants
3. If none, to your parents equally or to your surviving parent
4. If none, to the appointed executor or administrator of your estate
5. If none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death

As used here, “child” means either a biological child or a child adopted by the participant. It does not include your stepchild unless you have adopted the child. Nor does it include your biological child if that child has been adopted by someone other than your spouse.

“Parents” does not include stepparents who have not adopted you.

If you want to make a different arrangement from the one provided by the order of precedence, you can use Form TSP-3, *Designation of Beneficiary*, to designate one or more persons, a trust, or another entity to receive the balance of your beneficiary participant account when you die. The form is available at tsp.gov. Use the online tool to fill out the form and avoid errors.

If you make a beneficiary designation for your beneficiary participant account, we will send you a confirmation of your designation in the mail. We will also notify you if your designation is invalid and cannot be processed.

For us to honor it, a valid Form TSP-3 must be on file with us at the time of your death. We cannot honor a will or any other document.

Be sure to keep your beneficiary designation up to date to reflect changes in your life, such as marriage, births, adoptions, divorce—even a change of address for a beneficiary. Submit a new Form TSP-3 to change a beneficiary designation or to update information.

For more information about the rules associated with death benefit payments made from a beneficiary participant account, read the TSP tax notice *Important Tax Information About Thrift Savings Plan Death Benefit Payments*.

Account Information

Your Beneficiary Participant Account Balance

Your account balance (expressed in both dollars and shares) is available in the My Account section of tsp.gov and on the ThriftLine. Your account balance is updated at the end of each business day based on that day's closing share prices and any transactions processed that night.

Your Beneficiary Participant Statements

We issue quarterly and annual participant statements. We will mail you your first quarterly statement. After that, quarterly statements will be available only on tsp.gov unless you make a request to continue receiving them in the mail. You can make this request on tsp.gov or the ThriftLine.

Your annual participant statement will provide a summary of your account activity for the previous year as well as other information about your account. You should review and verify all the information on this statement.

Check all your statements to ensure that your personal information (name, address, date of birth, etc.) is correct and transactions (e.g., interfund transfers or withdrawals) have been properly recorded.

Correcting Your Beneficiary Participant Account Information

To correct personal information, notify us directly or make the change in the My Account section of tsp.gov.

To update your beneficiary information or to change your beneficiary(ies), complete a new Form TSP-3, *Designation of Beneficiary*, and mail the form directly to the TSP.

Tax Treatment of Traditional and Roth Balances

Participants designate how their contributions will be treated for tax purposes when they sign up to contribute to the TSP. Therefore, your beneficiary participant account may have two balances, depending on the type of contributions your deceased spouse made: traditional (pre-tax) and/or Roth (after-tax).

- **Traditional (pre-tax) contributions** were deposited into the traditional balance of the TSP account and were not taxed when they were contributed. You pay federal income taxes on these contributions and their earnings when you withdraw them.
- **Roth (after-tax) contributions** were deposited into the Roth balance of the TSP account and were taxed before your spouse contributed them. You will not have to pay federal income taxes on Roth contributions when you withdraw them. The earnings on these contributions are tax-free when withdrawn, as long as 5 years have passed since January 1 of the calendar year in which your deceased spouse first made a Roth TSP contribution.

Special note about tax-exempt money: If your deceased spouse was a member of the uniformed services, he or she may have made contributions from pay that was subject to the combat zone tax exclusion. These contributions are never subject to tax. However, if these contributions were made to the **traditional balance** of the TSP account, the earnings associated with them are taxable when withdrawn. Tax-exempt contributions made to a **Roth balance** are treated the same as other Roth contributions for tax reporting purposes. This means that the **earnings** associated with these contributions are distributed tax-free as long as 5 years have passed since January 1 of the calendar year in which your deceased spouse first made a TSP Roth contribution.

Combining Accounts

If you have an existing TSP account from your own employment with the federal government or the uniformed services, you can move your beneficiary participant account into your existing TSP account.[2] The money that you move will be treated as an employee contribution, but it will not be subject to the Internal Revenue Code (IRC) annual elective deferral limit.

If your beneficiary participant account contains tax-exempt money in a **traditional balance**, that money cannot be transferred into a civilian TSP account. If you decide to combine the accounts, the tax-exempt funds will be paid directly to you. However, tax-exempt contributions in a **Roth balance** can be transferred to the Roth balance of your existing account.

If both accounts contain a Roth balance, the Roth Initiation Date (the date of the first Roth contribution) that will apply to your combined account is the earlier of the two. If only one of the accounts has a Roth balance, the Roth Initiation Date associated with that account becomes the date for your combined account.

If you would like to combine accounts, call the ThriftLine and speak to a Participant Service Representative for specific instructions.

Investing in the TSP

When your beneficiary participant account is first established, its balance is no longer invested according to any previously selected investment allocation. Instead, the entire balance is invested in the Lifecycle (L) Fund most appropriate for your age. Your money will remain in this fund unless you make a different investment choice.

2 You cannot move an existing TSP account into your beneficiary participant account. If you have more than one beneficiary participant account, you cannot combine them.

The TSP offers you two approaches to investing your account:

- Lifecycle (L) Funds
- Individual TSP Funds (G, F, C, S, and I Funds)

Lifecycle (L) Funds

The L Funds offer an easy option for those participants who do not have the time or experience to manage their TSP investments.

The L Funds are "lifecycle" funds that are invested according to a professionally determined mix of stocks, bonds, and securities based on various time horizons. (A time horizon is the date when you expect to withdraw your money.) L Funds with more distant time horizons are focused on growth, and therefore are invested more aggressively, with a higher percentage of foreign and domestic stocks and a lower percentage of government securities. As each L Fund matures, its mix gradually shifts to more conservative investments with a higher percentage of government securities and a lower percentage of stocks. This more conservative mix is designed to preserve assets while still providing protection against inflation.

Each L Fund is automatically rebalanced, generally each business day, to restore the fund to its intended investment mix. Each quarter, the fund's asset allocation is adjusted to slightly more conservative investments. When an L Fund reaches its time horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon.

The optimal L Fund is the one that most closely matches your time horizon, that is, the year you expect to start withdrawing money from your TSP account.

If you are currently receiving income from your TSP account or plan to start withdrawing in the very near future, consider the L Income Fund. It is designed to focus primarily on preserving the assets in your account.

Detailed information about each L Fund is available on tsp.gov.

Individual TSP Funds

The TSP has five individual investment funds:

- **Government Securities Investment (G) Fund—**invested in short-term, U.S. Treasury securities that are specially issued to the TSP (government securities with no risk of loss)
- **Fixed Income Index Investment (F) Fund—**invested in a bond index fund that tracks the Bloomberg Barclays U.S. Aggregate Bond Index (U.S. investment-grade corporate, government, and mortgage-backed securities)
- **Common Stock Index Investment (C) Fund—**invested in a stock index fund that tracks the Standard & Poor's 500 (S&P 500) Stock Index (primarily large U.S. companies)
- **Small Capitalization Stock Index Investment (S) Fund—**invested in a stock index fund that tracks the Dow Jones U.S. Completion Total Stock Market Index (medium to small U.S. companies)
- **International Stock Index Investment (I) Fund—**invested in a stock index fund that tracks the MSCI EAFE (Europe, Australasia, Far East) Stock Index (primarily large companies in more than 20 developed countries)

Visit tsp.gov for detailed fund descriptions and information on fund performance.

If you choose your own investment mix from the G, F, C, S, and I Funds, remember that your investment allocation is one of the most important factors affecting the growth of your beneficiary participant account. If you prefer this hands-on approach, keep the following points in mind:

- **Consider both risk and return.** Over a long period of time, the F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (government securities). But stocks and bonds also carry the risk of investment losses, which the G Fund does not.

- **You need to be comfortable with the amount of risk you expect to take.** Your investment comfort zone should allow you to use a "buy and hold" strategy so that you are not chasing market returns during upswings or abandoning your investment strategy during downswings.
- **You can reduce your overall risk by diversifying your account.** The five individual TSP funds offer a broad range of investment options, including government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put "all of your eggs in one basket."
- **The amount of risk you can sustain depends on your investment time horizon.** The more time you have before you need to withdraw your account, the more risk you can take. This is because early losses can be offset by later gains.
- **Periodically review your investment choices.** Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want.

Deciding on Your Approach

The TSP investment options are designed for you to choose either the L Fund that is appropriate for your time horizon or a combination of the individual TSP funds that will support your personal investment strategy.

However, you are permitted to invest in any fund or combination of funds. Just keep in mind that the L Funds are made up of the five individual TSP funds (G, F, C, S, and I). If you invest in an L Fund as well as in the individual funds, you will duplicate some of your investments, and your allocation may not be what you wanted.

Implementing Your Investment Choice

Once you have decided on your investment approach—professionally designed (L Funds) or self-directed (individual TSP funds)—you can make an interfund transfer (IFT). An IFT is a transaction that allows you to redistribute all or part of your beneficiary participant account balance among the different TSP funds. For each calendar month, your first two IFTs can redistribute money in your account among any or all of the TSP funds. After that, for the remainder of the month, your IFTs can only move money into the Government Securities Investment (G) Fund. In this case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds. The transfer is counted in the calendar month we process it, not in the month you submit it.

If you have more than one account, these transactions apply to each account separately.

If you have a traditional and a Roth balance, any IFTs you make will apply to both balances. You cannot make a separate IFT for each balance.

You can request an IFT in the My Account section of tsp.gov or by calling the ThriftLine.

Withdrawing from Your Beneficiary Participant Account

Types of Withdrawals

If you decide to withdraw your money, you have a number of options:

- **Begin receiving TSP installment payments.** You can choose to receive payments from your account monthly, quarterly (every three months), or annually. You can elect to receive a fixed dollar amount or have us calculate a payment based on your life expectancy. If you choose a fixed dollar amount for your payments and they're expected to last less than 10 years, you're allowed to transfer them to an IRA or eligible employer plan.

- **Make a single withdrawal.** You can withdraw part or all of your TSP account at any time. There is no limit on the number of single withdrawals you can make, but processing times limit you to one every 30 days. You're allowed to transfer single withdrawals to an IRA or eligible employer plan.
- **Purchase an annuity.** You may choose to purchase a life annuity from our annuity vendor (minimum of $3,500[3]). Annuities are designed to provide you with monthly payments for life. Money you use to purchase an annuity is no longer part of your TSP account.

You can use any of these withdrawal options or any combination of them. And using one option does not stop you from using another one in the future. (Note that you can only have one installment payment plan at any one time.)

If you have both traditional and Roth money in your account, you may choose to withdraw from your traditional balance only, from your Roth balance only, or proportionally from both balances.

You can find more information about post-separation withdrawals by visiting tsp.gov. The booklet *Withdrawing From Your TSP Account for Separated and Beneficiary Participants* also describes your TSP withdrawal options. In addition, you should read the TSP tax notice *Important Tax Information About Payments From Your TSP Account*. The booklet and tax notice are available on tsp.gov.

3 If you use both traditional and Roth money to purchase your annuity, the $3,500 minimum amount will apply to both types separately.

Required Minimum Distributions (RMDs)

Your beneficiary participant account is subject to the Internal Revenue Code's (IRC) required minimum distribution (RMD) rules. These rules require you to receive a certain portion of your account each year based on your life expectancy.

The RMD rules apply to both traditional (non-Roth) and Roth balances in your account.

The date on which you must begin receiving RMDs depends on whether the deceased participant died **before or on/after** his or her "required beginning date." The required beginning date is defined as April 1 of the year following the year a participant reaches age 72, or separates from government service, whichever is later.

For example, if a separated participant was born on June 1, 1955, he or she would turn age 72 on June 1, 2027, so the required beginning date would be April 1, 2028.

IMPORTANT NOTE: If your spouse was born before July 1, 1949, substitute age 70½ for age 72 in the explanation and example above.

Any withdrawals you make during a year in which you're subject to an RMD go toward satisfying the requirement. If you don't make any withdrawals, or don't withdraw a sufficient amount, we will automatically send you the amount needed before the deadline.

For more information about RMDs read the TSP tax notice *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*.

Contact Information

TSP Website:	tsp.gov
ThriftLine:	1-877-968-3778 (For calls outside the U.S., Canada, and most U.S. territories, use 404-233-4400.)
TSP Mailing Address:	Thrift Savings Plan P.O. Box 385021 Birmingham, AL 35238
Text Telephone (TDD):	1-877-847-4385
TSP Fax:	1-866-817-5023

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