Withdrawing from Your TSP Account

for Separated and Beneficiary Participants

Installment Payments ◆ Single Withdrawals ◆ Life Annuities

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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Introduction

This booklet describes the choices that are available to all separated participants and beneficiary participants. In this booklet, a "separated participant" means someone who established a Thrift Savings Plan (TSP) account while serving as a civilian federal employee or member of the uniformed services and has now separated from that employment. A "beneficiary participant" is a spouse beneficiary of a deceased civilian or uniformed services TSP participant who has a TSP account established in his or her name. In this booklet, you will find information about the withdrawal process, the rules that govern withdrawals, and the tax implications of each withdrawal option.

Before you decide to withdraw money from your TSP account, we recommend that you consider how your decision may impact your future needs. For example, if you are not ready to retire and are considering using the money in your TSP account for purposes other than your future retirement needs, you should consider the tax implications and whether you will have enough retirement savings when you are ready to retire. Alternatively, if you are retiring or retired, you should think about when you will actually need the money in your TSP account and whether the withdrawal choices you make will provide enough income throughout your retirement years.

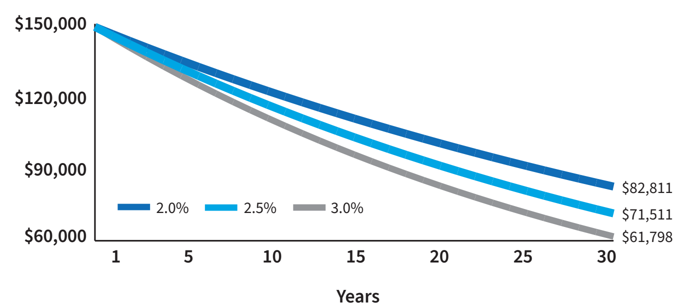
Questions to Ask Before Withdrawing from Your Account

Given that you may need your retirement savings into your 90s, here are some questions you should ask yourself before deciding to withdraw your TSP account.

- When should I begin withdrawing my money?
- How much do I think things will really cost during my retirement?
- Will I have enough income to cover my expenses after I retire?
- Will my retirement savings last for my whole life?
- Do I need to provide income for my dependents/heirs?

Because of inflation, the goods and services you buy today will probably cost you more in the future. Once you are living on a fixed income, increases in the cost of living can make meeting even the most basic expenses challenging. Even a relatively low rate of inflation can have a significantly diminishing effect on the purchasing power of your retirement savings. The following chart shows how your account may be affected by seemingly modest inflation. Suppose that the value of your account thirty years from now is $150,000. An inflation rate of 2% per year would reduce that $150,000 to the purchasing power of only $82,811 today. Notice that the higher the average rate of inflation, the less purchasing power you'll have.

Decline in Purchasing Power over 30 Years



It's important to estimate the amount of money you need to put aside for retirement to maintain your preretirement standard of living. Financial advisors typically refer to this calculation as a retirement income replacement ratio, or the percentage of your preretirement income that you need in retirement. Experts will often recommend a range of numbers, but each person's situation is unique. You also want to be careful that you do not withdraw too much money from your retirement account each year. Many retirees do, and they risk spending their savings too quickly. To avoid running out of money in retirement, planners often recommend withdrawing no more than 4% of your retirement savings during your first year of retirement and adjusting that amount annually for inflation.

Tailoring Your Withdrawal Decisions to Your Personal Needs

There are other factors besides life expectancy that you should take into consideration when making your withdrawal decisions. For example:

- What additional sources of income will you have outside of your TSP account?
- Will you be paying off a mortgage during your retirement?
- Will you be moving to an area where your expenses will be significantly higher or lower than where you lived before you retired?

Everyone's withdrawal choices will be based on different circumstances. The important thing is to make sure your decisions are well informed and carefully thought through. The TSP has online calculators available at tsp.gov to help you.

Leaving Your Money in the TSP

Unless you're subject to required minimum distributions[1] or you have a balance of less than $200,[2] there's no requirement for you to make withdrawals from your account. So you can leave your entire account balance in the TSP and continue to enjoy tax-deferred earnings and our low administrative expenses. You won't be able to make employee contributions, but your account will continue to accrue earnings, and you can continue to change the way your money is invested in the TSP investment funds by making interfund transfers.

If you're a separated participant, you can also transfer money into your TSP account from traditional and Roth eligible employer plans and from traditional IRAs. (Transfers from Roth IRAs are not allowed. Beneficiary participants are not allowed to transfer money in.)

Your Withdrawal Options

Withdrawal Methods

There are three basic methods of withdrawing money from your TSP account as a separated or beneficiary participant: installment payments, single withdrawals, and annuity purchases. Choosing one or more of these methods is not the only decision you'll need to make when making a withdrawal, so be sure to read on after this section.

1 See page 8 for information about required minimum distributions.

2 Separated participants, if your vested account balance is less than $200 after your agency or service reports that you have left service, your balance will be automatically paid directly to you in a single payment (i.e., cashout). You will not be allowed to remain in the TSP. We will not withhold any amount for federal income tax on your cashout if all your withdrawals from the TSP throughout the year of your cashout add up to less than $200. If your balance is less than $5.00 when you leave service, we will automatically forfeit the balance to the Thrift Savings Plan. Your quarterly participant statement will indicate that the balance has been forfeited. You can reclaim the forfeited amount by sending us a written request, but we will not credit earnings to the account after the forfeiture date.

TSP Installment Payments

You can choose to receive payments from your account monthly, quarterly (every three months), or annually. Your payments will continue, unless you stop them, until your total account balance equals zero. This is true even if you choose to have the payments come from your traditional balance first or from your Roth balance first. When you run out of money in your chosen source (traditional or Roth), payments will continue from the source you didn't choose. See "Traditional, Roth, or Both" on page 4.

There are two ways of setting the payment amount: payments of a fixed dollar amount and payments based on life expectancy.

Fixed Dollar Amount

You can choose the amount you want to receive in each payment as long as it's at least $25.

Life Expectancy

You can have us compute your installment payments based on IRS life expectancy tables. Your initial payment amount will be based on your age and your account balance at the time of the first payment. Life expectancy payments are calculated using your entire account balance even if you choose to withdraw from your Roth balance first or your traditional balance first. (See "Traditional, Roth, or Both" on page 4.) If you choose life-expectancy-based installment payments in combination with a single withdrawal, an annuity purchase, or both, your payment calculation will be made after the other funds are removed from your account. Each January, we will recalculate the amount of your installment payment. The recalculation will be based on your age and your account balance at the end of the preceding year.

Use the "TSP Installment Payment Calculator" at tsp.gov to estimate the amount of your life expectancy payments or to see how long payments of a fixed dollar amount would last. Remember that investment gains or losses and other account activity could cause your account balance to increase or decrease, which could increase or decrease either the amount of your life-expectancy payments or the duration of your fixed-dollar-amount payments.

Making Changes to Your Installment Payments

After your installment payments are set up, **you can make changes to them at any time.** See page 7 for information on how to make changes.

You can make the following changes whether you're receiving payments of a fixed dollar amount or based on life expectancy:

- stop payments
- change the source of payments (traditional, Roth, or both)
- start, stop, or change direct deposit of your payments
- change your federal tax withholding

The following changes can only be made if your payments are of a fixed dollar amount:

- change the dollar amount of your payments
- change the frequency of your payments
- start transferring your payments to an IRA or eligible employer plan **(only if payments are expected to last less than 10 years)**
- change or stop transfers (if currently transferring)

Important: Note that changing the amount or frequency of your payments is not valid for payments based on life expectancy. So we will change your payments to fixed-dollar-amount payments if you request such a change.

Installment Payments Lasting Less Than 10 Years vs. Payments Lasting 10 Years or More

The rules for federal tax withholding and eligibility to transfer to an IRA or eligible employer plan are different depending on how long your payments are expected to last.

If the expected duration of your payments is less than 10 years, the following IRS rules apply:

- We must withhold 20% of any amount that you do not transfer for federal income tax.
- You can instruct us to withhold an amount in addition to the 20% default withholding.
- We cannot waive withholding or withhold any less than 20%.
- You are permitted to transfer all or part of your payments to an IRA or eligible employer plan.

If the expected duration of your payments is 10 years or more or they are based on life expectancy,[3] the following IRS rules apply:

- We must withhold for federal income tax as if you are married with three dependents.
- You can instruct us to waive withholding, withhold based on your marital status and allowances, or withhold an additional amount.
- You are **not** permitted to transfer any part of your payments to an IRA or eligible employer plan.

See the TSP tax notice *Important Information About Payments From Your TSP Account* for more information.

To determine the expected duration of your fixed-dollar-amount payments, we divide your account balance by the amount of your payment:

For annual payments:
Balance ÷ Payment Amount

For quarterly payments:
(Balance ÷ Payment Amount) ÷ 4

For monthly payments:
(Balance ÷ Payment Amount) ÷ 12

We do not consider potential earnings or losses when calculating the expected duration of your payments.

The following events will trigger a recalculation of your expected payment duration:

- You change the dollar amount or frequency of your payments.
- You transfer money into your TSP account.
- You take a withdrawal or purchase an annuity in addition to your installment payments.

If the recalculation changes the expected payment duration from less than 10 years to 10 years or more, or vice versa, the rules that apply to your payments will change.

3 Payments based on life expectancy are treated the same as fixed-dollar-amount payments lasting 10 years or more, regardless of your age.

Single Withdrawal

You can withdraw any amount of $1,000 or more from your account in a single payment. There is no limit on the number of single withdrawals you can make, but we will not process more than one in any 30-day period. You are allowed to take a single withdrawal of part of your account even if you're currently receiving installment payments.

Purchase an Annuity

You can use all or part of your TSP account to purchase a life annuity through our outside vendor. Purchasing an annuity means that you pay now to receive monthly payments that last for the rest of your life (or, if you choose a joint life annuity, the life of your joint annuitant). The money you use to purchase a life annuity is no longer managed by you; it's not like your TSP account, an IRA, a CD, or a bank account. You give up your money and the control of it in exchange for guaranteed lifetime monthly payments. If you choose this option, we will purchase an annuity for you from our annuity provider. Your annuity is not part of your TSP account. The minimum for an annuity purchase is $3,500. The minimum applies to your traditional and your Roth balances separately. See the TSP fact sheet *Annuities*, available at tsp.gov, for more information.

Traditional, Roth, or Both

If you have both traditional and Roth money in your account, you can specify that your withdrawal should come only from your traditional money or only from your Roth money. This is optional. If you don't specify, then your withdrawal will be made from both types "pro rata," meaning it will have the same percentages of Roth and traditional as are in your account.

Example of a pro rata withdrawal: Your total account balance is $150,000, of which $120,000 (80%) is traditional and $30,000 (20%) is Roth. You request a withdrawal of $10,000, and you don't specify traditional or Roth. Your withdrawal will consist of $8,000 (80%) of traditional money and $2,000 (20%) of Roth money.

Taxes on TSP Withdrawals

Your TSP withdrawal may be subject to federal income taxes. The tax treatment of your withdrawal depends on the type of balance (traditional, Roth, or both) from which your withdrawal is taken as well as the withdrawal method that you choose. For detailed information about the tax rules, read the TSP tax notice *Important Tax Information About Payments From Your TSP Account*, available at tsp.gov or by calling the ThriftLine.

Special Note for Uniformed Services Members

If you have a uniformed services TSP account, or a beneficiary participant account created from your spouse's uniformed services account, your account may include tax-exempt contributions as a result of deployment to a combat zone. These contributions are always exempt from federal income taxes. The tax treatment of earnings on tax-exempt money depends on whether they're in a traditional balance or a Roth balance. Earnings on tax-exempt money in your traditional balance will be subject to tax at the time that you make a withdrawal. The earnings on tax-exempt money in your Roth balance will not be taxed if they are qualified.[4] See the TSP tax notice *Important Tax Information About Payments From Your TSP Account* for a detailed explanation.

Note: Withdrawals from a uniformed services account traditional balance will be paid pro rata (i.e., proportionally) from taxable and nontaxable amounts.

Transferring Your Withdrawal

You can transfer part or all of your single withdrawal or eligible installment payments to an IRA or an eligible employer plan (for example, the 401(k) plan of a new employer). Check with the IRA provider or the other plan's administrator to see if it can accept your transfer. Any tax-deferred amounts that are transferred will retain their tax-deferred status until you withdraw your money.

Note: You can transfer traditional money to a Roth IRA, but you will have to pay taxes on the amount transferred at the time you transfer it. You cannot transfer Roth money to a traditional IRA since that would result in your paying taxes on the same money twice, once before it went into your Roth TSP and once when you withdraw it from the traditional IRA.

4 Roth earnings become qualified (i.e., paid tax-free) when the following two conditions have been met: (1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution **and** (2) You have reached age 59½ or have a permanent disability or in the case of your death. Note: We cannot certify to the IRS that you meet the Internal Revenue Code's definition of a disability when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.

Single withdrawal. If you have only one type of balance (traditional or Roth) in your single withdrawal, you can direct all or part of it to only one IRA account or eligible employer plan. If you have both traditional and Roth balances in your withdrawal, you can direct all or part of the traditional portion to one IRA or plan, and all or part of the Roth portion of the payment to another IRA or plan (assuming you meet the eligibility requirements of the receiving plan(s)). We will pay any amounts not transferred directly to you either by check or direct deposit.

When requesting a transfer, be sure to use the transfer pages provided by the TSP. Do not use forms provided by the new plan or financial institution.

TSP installment payments. If your TSP installment payments are eligible, you can choose to have us transfer them to an IRA or eligible employer plan. Your installment payments are eligible if they're expected to last less than 10 years and are not based on life expectancy. See page 3.

As with single withdrawals, if you have only one type of balance (traditional or Roth) in your payment, you can direct all or part of your eligible installment payments to only one IRA account or eligible employer plan. If you have both traditional and Roth balances in your payment, you can direct all or part of the traditional portion to one IRA or plan and all or part of the Roth portion of your eligible installment payment to another IRA account or plan (assuming you meet the eligibility requirements of the receiving plan(s)). We will pay any amounts not transferred directly to you either by check or direct deposit.

If your plan or financial institution needs us to certify that the money you are transferring is eligible for transfer, you can provide it with a copy of the fact sheet *Transfers From the Thrift Savings Plan to Eligible Retirement Plans*. It is available at tsp.gov or by calling the ThriftLine.

Rolling over your withdrawal. We will pay any amounts not transferred directly to you either by check or direct deposit, and you will be subject to federal tax withholding on any taxable amounts. Within 60 days of receiving payment, you can still send it to an IRA or eligible employer plan. When you make the transaction this way, it's called a rollover.[5]

5 The IRS may waive the 60-day rollover requirement in certain situations if you missed the deadline because of circumstances beyond your control.

Transferring tax-exempt TSP balances. Tax-exempt balances resulting from contributions from pay earned in a combat zone may also be transferred or rolled over into an IRA or transferred to an eligible employer plan. Traditional IRAs must certify that they accept tax-exempt money in order for us to make the transfer. We are allowed to transfer tax-exempt money from your account only if you have no taxable money left. If you have some taxable money but not enough to satisfy the percentage that you elected to transfer, we will transfer the taxable money first and then transfer enough tax-exempt money to make up the difference.

The tax rules surrounding transfers and rollovers of traditional and Roth balances are complex. For more information, read the TSP tax notice *Important Tax Information About Payments From Your TSP Account*. You should also consider speaking with a qualified tax advisor before making your decision.

Depositing Your Payment(s) Electronically

Any single payment or installment payment that is **not transferred** directly to an IRA or an eligible employer plan can be sent to your checking or savings account electronically by direct deposit. You can have your payment(s) sent electronically to only one checking or savings account at one financial institution. This is true even if you have traditional and Roth money in your withdrawal.

Withdrawal Rules for Rehired Participants

If you separate from federal civilian employment or the uniformed services and then are reemployed by the federal government with a break in service of **less than 31 full calendar days**, you are not eligible to make post-separation withdrawals from your TSP account. If your break in service is **31 or more full calendar days**, you are eligible, but not required, to make a post-separation withdrawal, but the withdrawal request must be received and paid while you are still separated from service.

Note: If you began receiving TSP installment payments after you separated, those payments will stop if you are subsequently rehired. However, if you are receiving annuity payments, they will continue even though you've been rehired.

Requesting Your Withdrawal

Once you've read this booklet and the TSP tax notice *Important Tax Information About Payments From Your TSP Account* and are ready to request a withdrawal, log into My Account at tsp.gov and click on the "Withdrawals and Changes to Installment Payments" link on the menu. From there you'll have access to an online tool with which to start your withdrawal.

If you're trying to make a withdrawal as a separated participant, your former agency or service must have given us your separation date before you'll be allowed to proceed with your request. Also, if you have an outstanding TSP loan, the online tool will ask if you want to keep the unpaid balance and have it declared a taxable distribution before allowing you to proceed. If you want to pay off the loan instead, you'll have to do that before requesting a post-separation withdrawal. See the TSP booklet *Loans* for more information.

When you begin your request, you'll be asked whether you intend to withdraw just part of your account or your total account balance.

Withdrawing Part of Your Account

If you decide to withdraw part of your account and leave the rest in the TSP, you'll be given all of the options described under "Withdrawal Methods" beginning on page 2: TSP installment payments, single withdrawal, and annuity purchase. Remember that you can choose any of these three methods or any combination of them.

For each method you choose, you'll be asked if you want to withdraw from your traditional balance or your Roth balance. If you choose neither but have both types of balances, the withdrawal will be made pro rata from both. (See page 4.) You'll only be asked this if you have both traditional and Roth money in your account.

If you choose installment payments or a single withdrawal, you'll also be asked if you intend to transfer any part of your withdrawal. The online tool will stop you from transferring any ineligible payments.

Withdrawing All of Your Account

If you choose to withdraw your total account balance, you'll be asked if you want to receive it as a single payment, an annuity purchase, or a combination of the two. (TSP installment payments are not an option since they continue to leave money in your account.)

If you elect to receive your total account balance as a single payment or as an annuity purchase, the question of traditional, Roth, or both becomes irrelevant. We'll use all the money you have. But if you ask for a combination of the two methods and have both types of money in your account, you'll be asked if you'd like the annuity to be purchased with only traditional money or only Roth money. The online tool will only ask this if you have both types.

If a single payment is part of your withdrawal, you'll be asked if you intend to transfer all or part of it.

Additional Information for Transfers and Annuities

If you indicate you want to transfer all or part of your withdrawal or purchase an annuity, you'll need to provide additional information. See pages 4 and 5 for more information.

Additional Options for Your Withdrawal Request

At the time you request your withdrawal, you'll be able to request direct deposit and change the default federal tax withholding rate for any payment made directly to you.

Finalizing Your Request

When you've completed your online request, you'll be asked to submit it online if possible. If your signature or your spouse's signature is required, you're purchasing an annuity, or you're transferring any part of your withdrawal, you won't be able to complete the process entirely online. You'll be given a summary of your request, which you—and your spouse or financial institution if necessary—will need to sign, have notarized, and then mail or fax to us. When we receive these properly completed pages, we'll be able to complete the transaction you began online.

The Timing of Your Withdrawal

It generally takes between 7 to 10 business days to process your request once you've properly completed and submitted it. We disburse withdrawals each business day. You can check My Account at tsp.gov or call the ThriftLine to find out the status of your withdrawal request, including whether the payment has been made. We will also notify you after your payment has been disbursed.

Changing Your Withdrawal Election

Before payments begin. We process withdrawals each business day. Completed withdrawal requests that are entered into our system by 12:00 noon eastern time are processed that night. This means that there is a very small window of time during which you would be able to cancel your request and submit a new election. Therefore, we recommend that you carefully consider your options before submitting a withdrawal request.

After payments begin. You cannot reverse a payment that has already been processed. Also, if you have chosen an annuity, you cannot change either the annuity option or—if you've chosen a joint annuity—your choice of joint annuitant after we have processed your annuity purchase.

If you are receiving TSP installment payments. Remember, you can make changes to those payments at any time. See page 3 for details on what changes are allowed.

As with your initial withdrawal request, use the online tool that you will find in My Account at tsp.gov by clicking "Withdrawals and Changes to Installment Payments." When you've completed your online request, you'll be asked to submit it online if possible. If your signature or your spouse's signature is required or you're starting or making changes to transfers, you won't be able to complete the process entirely online. You'll be given a summary of your request, which you—and your spouse or financial institution if necessary—will need to sign, have notarized, and then mail or fax to us. When we receive these properly completed pages, we'll be able to complete the transaction you began online.

Special Considerations

Vesting Requirements

Vesting requirements apply only to FERS participants and members of the uniformed services covered by the Blended Retirement System (BRS). They do not apply to CSRS participants, non-BRS uniformed services members, or beneficiary participants.

If you are a FERS or BRS participant, you must have served for a certain number of years to be entitled to (or "vested in") the Agency/Service Automatic (1%) Contributions in your account and the earnings on those contributions. All years of service in a position eligible for the TSP count toward vesting, even if you don't contribute to the TSP during that time.

- Most FERS employees become vested in the Agency Automatic (1%) Contributions after three years of federal civilian service.
- FERS employees in congressional and certain noncareer positions become vested in the Agency Automatic (1%) Contributions after completing two years of federal civilian service.
- BRS participants become vested in Service Automatic (1%) Contributions after completing two years in the uniformed services.

Important: Civilian service does not count toward vesting in a uniformed services (BRS) account, and military service does not count toward vesting in a FERS account.

If you leave federal civilian or uniformed service before meeting the vesting requirement for your Agency/Service Automatic (1%) Contributions, those contributions and the earnings on them will be removed from your account and forfeited to the TSP before any withdrawals are disbursed. However, if you die before leaving federal service, your entire TSP account will automatically become vested.

FERS and BRS participants are always vested in their own contributions (and the earnings on them) and the matching contributions their agencies or services make (and the earnings on those contributions). CSRS participants and non-BRS uniformed services participants are always vested in all the money in their accounts since they do not include Agency/Service Automatic (1%) Contributions.

Spouses' Rights

The Federal Employees' Retirement System Act of 1986, which created the TSP, provides certain rights to spouses of participants. These rules do not apply to beneficiary participants. If you are a married FERS, CSRS, or uniformed services participant (even if you are separated from your spouse), you are subject to certain spouses' rights requirements, as explained below.

- **If you are a married FERS or uniformed services participant with a total TSP account balance of more than $3,500,** your spouse is entitled by law to a prescribed survivor annuity. This is a joint life annuity with a 50% survivor benefit, level payments, and no cash refund feature. If you choose any other annuity, any other withdrawal option, or any combination of options, your spouse must provide signed, notarized consent for the withdrawal to be processed. This is also true if you request a change in the amount or frequency of installment payments since this could affect the amount available for an annuity.

- **If you are a married CSRS participant with a total TSP account balance of more than $3,500,** we must notify your spouse of your withdrawal. This is also true if you request a change in the amount or frequency of installment payments since this could affect the amount available for an annuity.

Exceptions. Under certain circumstances, exceptions may be made to the TSP's spouses' rights requirements. The conditions under which these exceptions are granted are very strict. To obtain more information on the requirements for an exception—or apply for an exception—use Form TSP-16, *Exception to Spousal Requirements* (TSP-U-16 for members of the uniformed services).

Account Holds

Some situations may cause a hold to be placed on your account. Examples include the following:

- A court order that awards all or part of a TSP account to a current or former spouse (including a separated spouse).
- A legal process that enforces obligations to pay child support or alimony, or to satisfy judgments for child abuse.
- A federal tax levy.
- A criminal restitution order pursuant to the Mandatory Victims Restitution Act (MVRA).
- A hold we place on your account because of suspected fraud.
- A hold you request to protect your account.
- A hold we place on your account for administrative reasons such as account corrections or adjustments.

Your withdrawal request will not be accepted until the matter that caused the hold is settled and the hold is removed from your account. However, any required minimum distributions will be disbursed by the appropriate deadline.

For more information about court orders, obtain the booklet *Court Orders and Powers of Attorney* and the TSP tax notice *Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders*. Both are available at tsp.gov.

Death Benefits

If you die with a balance in your TSP account and you did not designate beneficiaries for that account, the account will be distributed according to a statutory order of precedence. If you want your account to be distributed in some other way, you may use Form TSP-3, *Designation of Beneficiary*. 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. See the booklet *Death Benefits Information for Participants and Beneficiaries* for more information, including the statutory order of precedence.

Required Minimum Distributions

If you are a separated participant, the Internal Revenue Code requires that you receive a portion of your TSP account (your "required minimum distribution" or "RMD") beginning in the calendar year when you become age 72 and are separated from service. If you are a beneficiary participant, your deadline for beginning to receive required minimum distributions depends on whether your spouse died before or after his or her required beginning date.

Any withdrawals you make while subject to RMDs will be used to satisfy the requirement. If the total amount of your withdrawals does not satisfy the requirement, we will issue a supplemental payment for the remaining amount before the deadline each year.

If we automatically send you an RMD because you did not withdraw a sufficient amount and you have both traditional and Roth balances in your TSP account, the automatic RMD will be taken proportionally from each balance.

Required minimum distributions cannot be transferred or rolled over. This means that if you make a withdrawal of any kind in a year that you are subject to an RMD and you request a transfer of all or any portion of that withdrawal, we will first calculate and distribute any RMD amount due directly to you before making a transfer.

For detailed rules regarding required minimum distributions, see the TSP tax notice *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*. Or, for beneficiary participants, see *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*.

Participants with Two TSP Accounts

Some TSP participants (e.g., members of the Ready Reserve) may have two separate TSP accounts—a federal civilian account and a uniformed services account. If you are one of these participants and you separate from either federal civilian employment or the uniformed services, you may make post-separation withdrawals only from the TSP account related to the type of employment from which you have separated.

Once you have separated, you will also have the option of combining your two accounts into one. However, you can only combine the account related to your separation into your other TSP account. For example, if you are separated from the uniformed services, you can transfer your uniformed services account into your civilian account. If you have separated from both federal civilian employment and the uniformed services, you can choose which account you want to keep and combine the other one with it. To combine civilian and uniformed services TSP accounts, use Form TSP-65, *Request to Combine Civilian and Uniformed Services TSP Accounts*. This is only allowed up to the end of the calendar year before the year you turn 72.[6]

Note: If the traditional portion of your uniformed services TSP account includes a tax-exempt balance, you cannot transfer it into your civilian TSP account. Therefore, you will need to retain your uniformed services account to hold your tax-exempt money until you wish to withdraw it. It will continue to accrue tax-deferred earnings until you withdraw it. Any tax-exempt money that was contributed to your Roth balance can be transferred into your civilian TSP account.

TSP beneficiary participant accounts may not be combined with other TSP beneficiary participant accounts. However, if you have your own TSP account because you are or were a federal civilian employee or a member of the uniformed services, you may transfer your beneficiary participant account into that account. You **cannot** move your civilian or uniformed services account into your beneficiary participant account.

6 Before 2020, the deadline was age 70½. So if you were born before July 1, 1949, you can no longer combine accounts, even if you are not yet 72.

Reporting Changes in Personal Information

Be sure to keep us informed of any changes in your mailing address or other personal information that we maintain. Otherwise, you may not receive your participant statements and other important mailings, including installment and RMD checks. If you close your account, you should also inform us of any address change through the January of the following year, so that you will receive tax reporting information about your withdrawal.

Before you separate, **your agency or service** is responsible for updating your personal information for your TSP account. After separating, **you** must make any changes to your personal information in the My Account section of tsp.gov.

Glossary of Terms

Agency/Service Automatic (1%) Contributions—Contributions equal to 1% of basic pay each pay period, contributed to a FERS or BRS participant's TSP account by his or her agency/service.

Annuity—A payment paid to the participant (or to the participant's survivor if the participant elects a joint annuity) each month. Payments continue as long as the participant (or his or her survivor) is alive. Annuities are purchased through an annuity vendor.

Beneficiary Participant—A spouse beneficiary of a deceased civilian or uniformed services TSP participant who has a TSP account established in his or her name.

Blended Retirement System (BRS)—The retirement system for members of the uniformed services who began service on or after January 1, 2018, and others who opted into the system.

Civil Service Retirement System (CSRS)—The retirement system for federal civilian employees who were hired before January 1, 1984. CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent government retirement plans.

Contribution Allocation—A participant's choice that tells the TSP how contributions, transfers, and loan payments that are going into his or her account should be invested among the TSP funds.

Designation of Beneficiary—The participant's formal indication of who should receive the money in his or her account in case of his or her death. Absent a valid designation, the TSP account is paid according to the statutory order of precedence.

Eligible Employer Plan—A plan qualified under Internal Revenue Code (IRC) § 401(a), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a 403(a) annuity plan; a 403(b) tax-sheltered annuity; and an eligible 457(b) plan maintained by a governmental employer.

Federal Employees Retirement System (FERS)—The retirement system for federal civilian employees who were hired on or after January 1, 1984. FERS refers to the Federal Employees Retirement System, the Foreign Service Pension System, and other equivalent government retirement plans.

In-Service Withdrawal—A disbursement from a participant's account that is available only to participants who are still employed by the federal government or the uniformed services.

Interfund Transfer—The choice made by a participant to reallocate his or her existing account balance among the available TSP investment funds.

IRA—See "Roth IRA" or "Traditional IRA."

IRS Life Expectancy Tables—IRS Single Life Table, Treas. Reg. § 1.401(a)(9)-9, Q&A 1, is used to calculate installment payments based on life expectancy for participants who have not yet turned 72 years old by the end of the calendar year in which the calculation is made. For participants who turn age 72 before the end of that year, the Uniform Lifetime Table, Treas. Reg. § 1.401(a)(9)-9, Q&A 2, is used.

Installment Payments—Payments that the participant elects to receive each month, quarter, or year directly from his or her TSP account after separating from service or as a beneficiary participant. These payments are not the same as life annuity payments.

Participant Statements—Statements that are made available to each TSP participant after the end of each of the first three calendar quarters and after the end of each calendar year. All statements show the participant's account balance (in both dollars and shares) and the transactions in his or her account since the previous statement. Annual statements also summarize the financial activity in the participant's account during the year covered and provide other important account data such as the participant's personal investment performance, primary beneficiary information, and account profile.

Post-Separation Withdrawal—A distribution from a participant's account that is available only to participants who have left federal service or the uniformed services. Sometimes referred to as a "postemployment" withdrawal. (See also "Withdrawal.")

Qualified Distribution—A tax-free distribution from the Roth portion of your account. The earnings in your Roth balance become qualified when two conditions have been met:

1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, and
2) You have reached age 59½ or become permanently disabled, or in the case of your death.

Required Minimum Distribution—The amount of money, based on a participant's age and previous year's TSP account balance, that the IRS requires be distributed to a TSP participant each year, beginning in the year he or she has reached age 72 and is separated from service. Rules for starting RMDs are different for beneficiary participants.

Retirement Income Replacement Ratio—The percentage of your preretirement income that you expect to need in retirement.

Roth Balance—The portion of a TSP account balance that is made up of employee contributions designated as Roth when you (or, if you're a beneficiary participant, your deceased spouse) made the contribution election, and the earnings on those contributions. Earnings on all Roth contributions are tax-free provided certain Internal Revenue Service (IRS) rules are met. (See also "Qualified Distribution.")

Roth IRA—An individual retirement account that is described in § 408A of the Internal Revenue Code (IRC). A Roth IRA provides tax-free earnings provided certain Internal Revenue Service (IRS) requirements are met. You must pay taxes on the funds you transfer to a Roth IRA from your traditional TSP balance. The tax liability is incurred for the year of the transfer.

Service Automatic (1%) Contributions — See "Agency/ Service Automatic (1%) Contributions."

Single Withdrawal—A withdrawal made at one time, sometimes referred to as a "lump sum" or "single payment."

Tax-Exempt Contributions—Contributions of money that will never be taxed. Such contributions can be made to the TSP by members of the uniformed services from pay that is covered by the combat zone tax exclusion.

ThriftLine—The TSP's automated voice response system. It provides general news about the TSP and allows participants to access certain account information and perform some transactions over the telephone. You also use the ThriftLine to speak to the TSP's Participant Service Representatives.

Traditional Balance—The portion of a TSP account balance that is made up of all employee contributions designated as traditional when you (or, if you're a beneficiary participant, your deceased spouse) made the contribution election and the earnings on those contributions. For FERS and BRS participants, your traditional balance also includes your Agency/Service Automatic (1%) Contributions, as well as any Agency/ Service Matching Contributions made to your account. Earnings on agency/service contributions are also a part of your traditional balance.

Traditional IRA—As used in this booklet, a traditional individual retirement account described in § 408(a) of the Internal Revenue Code (IRC), or an individual retirement annuity described in IRC § 408(b), into which a TSP participant can transfer money from his or her TSP account. (It does not include a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).)

Uniformed Services Members—**1.** Active-duty members of the Army, Navy, Air Force, Marine Corps, and Coast Guard. **2.** Members of the Ready Reserve and National Guard in any pay status. **3.** Active-duty members of the commissioned corps of the National Oceanic and Atmospheric Administration and the commissioned corps of the Public Health Service.

Vesting—Receiving ownership of all money in an account. Vesting only applies to the Agency/Service Automatic (1%) Contributions (and their earnings) and occurs after a participant works in the federal government or uniformed services for a certain number of years. All years of service in a position eligible for the TSP count toward vesting, even if the participant doesn't contribute to the TSP during that time. Civilian service does not count toward vesting in a uniformed services (BRS) account, and uniformed service does not count toward vesting in a civilian account.

Withdrawal—A general term for a distribution that a participant requests from his or her account. (Includes in-service withdrawals, post-separation withdrawals, and withdrawals made by beneficiary participants.)

TSP Materials for Separated and Beneficiary Participants

You can obtain the following items from tsp.gov. Also, if you are still employed as a federal civilian employee, you can obtain them from your agency personnel office; if you are a member of the uniformed services, you can obtain them from your service TSP representative.

To withdraw from your account—

- Booklet: *Withdrawing From Your TSP Account for Beneficiary and Separated Participants*
- Tax Notice: *Important Tax Information About Payments From Your TSP Account*

For your beneficiaries to receive your account after death—

- Form TSP-17, *Information Relating to Deceased Participant*
- Tax Notice: *Important Tax Information About Thrift Savings Plan Death Benefit Payments*

To combine your civilian and uniformed services TSP accounts—

- Form TSP-65, *Request to Combine Civilian and Uniformed Services TSP Accounts*

Other materials—

- Form TSP-60, *Request for a Transfer Into the TSP*
- Form TSP-60-R, *Request for a Roth Transfer Into the TSP*
- Tax Notice: *Tax Information for TSP Participants Receiving Installment Payments*
- Tax Notice: *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*
- Tax Notice: *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*
- Tax Notice: *Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders*
- Booklet: *Court Orders and Powers of Attorney*
- Booklet: *Death Benefits Information for Participants and Beneficiaries*

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