



THRIFT SAVINGS PLAN

★ PLAN OVERVIEW

The Thrift Savings Plan (TSP) is a retirement savings and investment plan. It can provide a source of income in addition to your military pension and Social Security, helping to build financial stability and independence at retirement.

DESCRIPTION AND BENEFITS

- Defined-contribution plan, similar to a 401(k)
- Individual accounts
- Automatic payroll deductions
- All contributions and earnings belong to the owner
- Contributions can be made with pre-tax or after-tax dollars (pre-tax by default)
- Earnings are tax-deferred; withdrawals can be tax-free depending on the type of plan (Traditional or Roth)
- Multiple investment options
- Minimal administrative and investment fees
- Multiple withdrawal options once you reach retirement age

PARTICIPATION RULES

- All Soldiers are eligible to participate in the TSP.
- Soldiers can elect their contribution level.
- Members can contribute up to 100% of base pay, special pay, and bonus pay each year up to a maximum annual contribution (\$19,000 in 2019; \$56,000 in a tax-free zone [Combat Zone Tax Exclusion or CZTE]). Soldiers seeking more information should call the TSP Thriftline (1-877-968-3778) for terms and conditions and consult a tax professional.

TREATMENT OF	TRADITIONAL	ROTH
Contributions	Pre-tax	After-tax
Take-home pay	Taxes are deferred, so less money is taken out of your paycheck	Taxes are paid up front, so more money comes out of your paycheck
Transfers in	Transfers allowed from eligible employer plans and Traditional IRAs	Transfers allowed from Roth 401(k), Roth 403(b) and Roth 457(b) accounts
Transfers out	Transfers allowed to eligible employer plans, Traditional IRAs and Roth IRAs	Transfers allowed to Roth 401(k), Roth 403(b) and Roth 457(b) accounts
Withdrawals	Taxable when withdrawn	Contributions are tax-free if withdrawn. Earnings are tax-free if withdrawn after age 59 1/2 and it has been at least five years since JAN 1 of the year you made your first Roth contribution, or you are permanently disabled or deceased.

★ INVESTMENT OPTIONS

	G FUND	F FUND*	C FUND*	S FUND*	I FUND*	L FUNDS**
Description of Investments	Government securities (specially issued to the TSP)	Government, corporate, and mortgage-backed bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks of more than 20 developed countries	Invested in the G, F, C, S, and I Funds
Objective of Fund	Interest income without risk of loss of principal	To match the performance of the Bloomberg Barclays U.S. Aggregate Bond Index	To match the Performance of the Standard & Poor's 500 (S&P 500) Index	To match the performance of the Dow Jones U.S. Completion TSM Index	To match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk	Inflation risk	Market risk, credit risk, prepayment risk, inflation risk	Market risk, inflation risk	Market risk, inflation risk	Market risk, currency risk, inflation risk	Exposed to all of the types of risk to which the individual TSP funds are exposed but total risk is reduced through diversification among the five individual funds
Volatility	Low	Low to moderate	Moderate	Moderate to high — historically more volatile than C Fund	Moderate to high — historically more volatile than C Fund	Asset allocation shifts as time horizon approaches to reduce volatility
Types of Earnings***	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
2017 Net Administrative Expenses****	0.033%	0.032%	0.032%	0.032%	0.032%	0.033%
Inception Date	04/01/87	01/29/88	01/29/88	05/01/01	05/01/01	08/01/05

Source: tsp.gov/InvestmentFunds/FundsOverview/comparisonMatrix.html

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Income from interest and dividends is included in the share price calculation. It is not paid directly to participants' accounts.

**** Net expenses are offset by the forfeitures of Agency/Service Automatic (1%) contributions of FERS and BRS participants who leave Federal Service before they are vested, other forfeitures, and loan fees.

Loans

Under certain circumstances, you can borrow from your TSP account. Check the TSP website for details.

TSP Resources

- TSP website: www.tsp.gov
- TSP Thriftline: 1-877-968-3778
- YouTube: [TSP4gov](https://www.youtube.com/TSP4gov)
- Twitter: [@tsp4gov](https://twitter.com/tsp4gov)
- Defense Finance and Accounting Service (DFAS): dfas.mil/militarymembers/tspformilitary/tspac.html
- Military OneSource: militaryonesource.mil/pfm/saving-and-investing-basics?content_id=267395



GLOSSARY OF SAVING AND INVESTING TERMS

- **After-Tax Contributions** — Contributions that are made after taxes have been taken from pay (i.e. Roth)
- **Automatic Contributions** — Contributions deducted from pay and added to a TSP account by an employer
- **Annuity** — Guaranteed monthly income for the life of the TSP participant or survivor after separating from federal service
- **Asset Allocation** — The process of choosing among different kinds of assets such as stocks and bonds that will be included in an investment portfolio
- **Beneficiary** — The individual or entity that receives your TSP account balance (or a portion of it) at your death
- **Bond** — A debt security issued by a government entity or a corporation to an investor from whom it borrows money
- **Catch-Up Contributions** — Contributions which are made via payroll deductions by a participant age 50 or older, who are permitted to exceed the Internal Revenue Code (IRC) elective deferral limit
- **Contribution** — A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her employer
- **Credit for Qualified Retirement Savings Contributions** — IRS Form 8880, used to claim tax credits for traditional or Roth IRA contributions, 401(k) contributions, and other retirement investments. The form includes instructions and limitations.
- **Currency Risk** — The risk that the value of a currency will rise or fall relative to the value of other currencies
- **Elective Deferral Limit** — An annual dollar limit, established under the Internal Revenue Code (IRC), that limits the contributions a participant can elect to make to plans like the TSP
- **Eligible Employer Plan** — A plan regulated under Internal Revenue Code (IRC), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan
- **Eligible Rollover Distribution** — A distribution from the TSP that is eligible to be transferred or rolled over to an IRA or eligible employer plan
- **Fixed Income Investments** — Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest
- **Index** — A broad collection of stocks or bonds which is designed to match the performance of a particular market
- **Inflation Risk** — The risk that investments will not grow enough to offset the effects of inflation
- **In-Service Withdrawal** — A disbursement made from a participant's account which is available only to a participant who is still employed by an agency of the federal government, including the uniformed services
- **Interfund Transfer (IFT)** — A redistribution of different TSP funds within an account
- **IRS Form 8880** — See "Credit for Qualified Retirement Savings Contributions"
- **Market Risk** — The risk of a decline in the market value of stocks or bonds
- **Matching Contributions** — Contributions up to a certain limit made by an employer to TSP accounts for participants who have also contributed their own money
- **Post-Separation Withdrawal** — A distribution from a participant's account which is available only to participants who have left federal service or the uniformed services

- **Prepayment Risk** — The probability that if interest rates fall, bonds that are represented in the index will be paid back early, thus forcing lenders to reinvest at lower rates
- **Pretax Contributions** — Contributions of pay that have not yet been taxed. All employee contributions to a TSP traditional balance are made pre-tax.
- **Qualified (Earnings)** — Roth earnings are qualified (i.e., paid tax-free) when two conditions have been met: (1) five years have passed since Jan. 1 of the calendar year in which you made your first Roth contribution, and (2) you have reached age 59½, become permanently disabled, or have died.
- **Required Minimum Distribution (RMD)** — The amount of money that the IRS requires be distributed to a participant each year after the participant has reached age 70½
- **Risk (Volatility)** — The amount of change (both up and down) in an investment's value over time
- **Roth Contributions** — Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited into a Roth balance
- **Roth IRA** — An individual retirement account that provides tax-free earnings
- **Securities** — A general term describing a variety of financial instruments, including stocks and bonds
- **Stocks** — Equity securities issued as ownership in a publicly held corporation
- **Tax-Exempt Contributions** — Contributions of money to a TSP Traditional balance that will never be taxed
- **Time Horizon** — The future point when withdrawals from an account are expected to begin
- **Traditional IRA** — A traditional individual retirement account or an individual retirement annuity with contributions from pay that has not yet been taxed. Also referred to as "tax-deferred," "pre-tax," or "non-Roth" contributions.
- **Vesting** — The time in service a TSP participant must have in order to keep automatic contributions and earnings

