

## **What is the TSP?**

### **Benefits and requirements of the Thrift Savings Plan.**

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We've all been hearing about it, TSP, so what is it? The TSP, or Thrift Savings Plan, is a retirement savings plan for civilians who are employed by the United States Government and members of the uniformed services. This plan is similar to a 401(k) retirement plan used by the private sector.

So why would you choose to invest in TSP? There are several reasons to choose the TSP for your retirement savings. Some of those include but are not limited to:

- You save money on income taxes.
- You have a choice of 5 investment funds.
- All of the money you have deducted from your pay goes into your investment account, and no income tax is deducted.
- You don't pay the tax until you withdraw money, usually during retirement.
- Contributions of your tax-exempt combat or hazardous-duty pay retain their tax-exempt status, so you won't pay tax on this money, even when you withdraw it.
- If you need access to your money, you can borrow from your TSP at a low rate of interest.
- Personal loans can be for up to five years.
- Loans to purchase your residence can be for up to 15 years.
- Your loan is repaid through payroll deductions; it's like borrowing from yourself.
- TSP offers in-service withdrawals for financial hardship, or after age 59.
- You are given a choice of post-separation withdrawal options.
- You are given the ability to transfer money from other eligible retirement savings plans into your TSP account.

So how do I start investing in a TSP now? Investing in TSP is fairly simple. If you have access to your MYPAY account you can do this online at [www.mypay.gov](http://www.mypay.gov). You may also elect to do this with your Unit Finance Office by filling out a TSP-U-1 form. To calculate your contribution (per paycheck) to the TSP, multiply your paycheck by the percentage you wish to contribute. For example, if you wish to contribute 1% of 1000.00 you would be contributing 10.00 per month to the TSP. You might consider investing all of the following to produce a nice nest egg for your future – bonus pay, special duty pay, extra pay from non-taxation etc. You can earmark a portion (up to 100 percent) of these extra pays to go directly to the TSP. It's a smart use of extra money. If you can't put it all in, consider putting in half. Remember, you cannot participate with your extra pay unless you also have some contribution coming out of your base pay, so consider starting small, if need be.

There are a few things to remember, should you need to withdraw from your TSP. Any time you take money from your fund, you are taking money out of your retirement. So really think about it before you withdraw and consider any and all other options. Before you take out money, you might consider taking a loan from the plan. You would be paying yourself back through payroll deductions, and essentially borrowing from yourself. Remember should you have to make a withdrawal; you must pay taxes and possible penalties.

If you have specific questions regarding the Thrift Savings Plan or your TSP account, you can find all your answers on the [TSP.gov home page](http://www.tsp.gov). Their number is (504)255-8777. Another great source of information is located here: <http://www.tsptalk.com/>.

Sources used for this article: [www.opm.gov](http://www.opm.gov), [www.tsp.gov](http://www.tsp.gov), and [www.tsptalk.com](http://www.tsptalk.com).