



MANAGING
YOUR ACCOUNT

December 2010

Welcome to the Thrift Savings Plan!

The TSP offers these important features to help you save for retirement:

- Your contributions and earnings are *tax-deferred*. You pay no Federal income taxes on the money until you withdraw it from your account.
- FERS employees are eligible for agency automatic and matching contributions.
- You can invest in:
 - **Lifecycle Funds**, an automated investment tool which combines the TSP stock, bond, and Government securities funds in professionally determined proportions based on when you expect to need the money; or
 - **Individual TSP Funds**, which you can combine in any way you choose.
- You can transfer money from other eligible employer plans or Individual Retirement Accounts (IRAs) to your TSP account.
- If you are age 50 or older, you may be able to make additional catch-up contributions.
- If the need arises, you can borrow from your account.
- You can make an in-service withdrawal for financial hardship or after age 59½.
- You have a choice of withdrawal options after you separate. You can also leave your money in the TSP.

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

Enrolling in the TSP

All newly hired (or rehired) FERS and CSRS employees are automatically enrolled in the TSP. If you are automatically enrolled, your agency will deposit 3% of your basic pay every pay period into your TSP account unless you have made an election to change or stop your contributions.¹ If you are a member of the uniformed services, or are not currently contributing, you must enroll by submitting a TSP Election Form to your agency or service (or by making an electronic election) to contribute to the TSP.

Changing or Starting Your Contributions

To take advantage of this important retirement benefit, you should start as early as you can and consider contributing as much as you can.

To change or start your contributions, submit a TSP Election Form (TSP-1 for civilians; TSP-U-1 for members of the uniformed services) to your agency or service. The form is available from your TSP representative² or the TSP website. Some agencies and services require electronic enrollment. Check with your TSP representative.

You can stop and restart your contributions at any time using either the TSP Election Form or your agency's or service's electronic system (such as Employee Express, PostalEase, EBIS, myPay, or the NFC PPS). Check with your agency or service to see which one it requires.

¹ You may be able to request a refund of contributions made under the automatic enrollment program. See page 15 or visit www.tsp.gov for more information about refunds.

² Your TSP representative is generally a person in your personnel or human resources office.

If you are not currently contributing to the TSP, you can start making contributions from your pay at any time.

Contribution Limits

If you are a FERS employee, you may contribute any amount up to the Internal Revenue Code (IRC) elective deferral limit (\$16,500 in 2011).

You will also receive two types of agency contributions. You do not need to complete a waiting period to be eligible to receive either type of agency contributions:

- **Agency Automatic (1%) Contributions.** You receive an amount equal to 1% of your basic pay whether or not you contribute from your pay.
- **Agency Matching Contributions.** Your agency matches your contributions dollar-for-dollar on the first 3% of basic pay you contribute per pay period, and 50 cents on the dollar on the next 2%.

Together, these agency contributions can equal as much as 5% of your basic pay. But you must contribute at least 5% in order to receive the full amount of agency money. This includes employees who were automatically enrolled. If you were automatically enrolled, your contribution rate is 3%, so you are not earning the maximum matching contributions that are possible for you. Consider increasing your contributions to at least 5% of your basic pay.

Note for FERS employees: If you reach the IRC elective deferral limit before the end of the year, your own contributions — and any associated Agency Matching Contributions — will be suspended. Use the calculator: [How Much Can I Contribute?](#) on the TSP website to avoid losing valuable agency matching money.

If you are a CSRS employee, you may contribute any amount up to the IRC elective deferral limit (\$16,500 in 2011).

If you are a member of the uniformed services, you may contribute any amount up to the IRC elective deferral limit (\$16,500 in 2011). If you elect to contribute from basic pay, you may also elect to contribute up to 100% of incentive pay and special pay (including bonus pay), but your total contributions from taxable pay for the year may not exceed this IRC limit.

Contributions made from pay that is subject to the combat zone tax exclusion are tax-exempt. They are not included in the elective deferral limit, but they count toward the IRC annual addition limit which specifies that the combined total of **all** contributions going into the TSP and similar employer plans cannot exceed 100% of compensation or \$49,000 in 2011, whichever is less.

If you also contribute to a civilian TSP account, total contributions to both your accounts cannot exceed these limits. **Note for members of the Ready Reserve:** If you contribute to the TSP as a member of the Ready Reserve *and* as a civilian FERS participant, be sure that your combined contributions do not cause you to reach the IRC elective deferral limit before the end of the calendar year. If you do, you could lose out on matching contributions from your civilian agency.

Catch-Up Contributions

If you turn age 50 or older during the calendar year and expect to reach the maximum that you are eligible to contribute to the TSP, you can make additional “catch-up” contributions—up to \$5,500 in 2011. You must make a separate election for these contributions each

year using a Catch-Up Contribution Election form.

Your First Contributions

Your first contribution establishes your TSP account. Your contributions will automatically be invested in the Government Securities Investment (G) Fund until you make a different choice. (See “Investing in the TSP” on page 8, which describes your TSP investment options and the actions you need to take to select them.)

Your TSP Account Number

Once your account has been established, the TSP will mail you a “welcome letter” containing your 13-digit account number and the identifying information your agency or service has provided to the TSP. This account number will be the TSP’s primary means of identifying your account.

Web Password and ThriftLine PIN

Separately, you will receive an 8-character Web password for accessing your account on the TSP website (www.tsp.gov). You will also receive a 4-digit Personal Identification Number (PIN), which you will need to access your account on the ThriftLine (1-TSP-YOU-FRST), the TSP’s 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 ThriftLine, respectively.

You can change the Web password you receive from the TSP to one of your choice through the My Account section of the TSP website. You can also change your ThriftLine PIN to one of your choice by accessing your account on the ThriftLine. Your change will take effect immediately.

User ID

Although you cannot change your TSP account number, you can create a customized user ID to log into your account through the TSP website. This user ID will not be valid for any other TSP purpose, but will help if you have difficulty remembering your 13-digit account number. You can establish a user ID by accessing your account on the TSP website.

Account Protection

Safeguard your TSP 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, Trojans, and keylogger software. Additional information about Internet security is available in the Security Center section of the TSP website and on many government websites such as www.onguardonline.gov and www.us-cert.gov. The TSP is not responsible for losses resulting from the use of a compromised computer.

Requesting an Account Number, Web Password, or ThriftLine PIN

If you forget your account number, you can use either the website or ThriftLine to request that it be mailed to you again. If you lose your Web password, you can request a new one through the My Account section of the TSP website. If you lose your PIN, you can request a new one on the ThriftLine. You can also contact the TSP. If you make a written request, you must include your TSP account number and date of birth in your letter. You should receive your new Web password, new PIN, or remailed account number

within 10 days of the TSP receiving your request. In the meantime, you may not be able to access your account through the TSP website or ThriftLine.

Your Beneficiary Designation

You can designate one or more persons, a trust, or another entity to receive your TSP account in the event of your death. To designate beneficiaries, complete a Designation of Beneficiary form (Form TSP-3). The form is available at www.tsp.gov or from your agency or service TSP representative.

If you make a valid beneficiary designation for your TSP account, you will receive a confirmation of your designation in the mail. Your primary beneficiaries will also be shown on your annual TSP participant statement, which is mailed to you at the beginning of each calendar year. Alternatively, if your designation is invalid and cannot be processed, you will be notified by the TSP.

If you do not designate beneficiaries, in the event of your death, your account will be distributed according to the order of precedence required by law: to your widow or widower; if none, to your child or children equally, and descendants of deceased children by representation; if none, to your parents equally or to the surviving parent; if none, to the appointed executor or administrator of your estate; or, if none, to your next of kin who is entitled to your estate under the laws of the state where you resided at the time of your death.

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 your beneficiaries. Send a new form to change a beneficiary designation or update information.

A will is not a substitute for a Designation of Beneficiary form and will not be accepted for the distribution of your TSP account.

Beneficiary Participant Accounts

All death benefits of \$200 or more that are processed for a spouse beneficiary are automatically deposited into a new TSP account established in the spouse's name. Beneficiary participants will be able to manage their investments and are eligible for the same withdrawal options as separated participants. Upon the death of a beneficiary participant, the account must be distributed to the beneficiary(ies) of the beneficiary participant; it cannot remain in the TSP. (For more information, see the booklet *Your TSP Account: A Guide for Beneficiary Participants*.)

Investing in the TSP

The TSP offers you two approaches to investing your account:

- **Lifecycle Funds** (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, interest, or knowledge 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 farther time

horizons (for example, L 2050 and L 2040) are focused on growth, and therefore are invested more aggressively, with higher percentages in foreign and domestic stocks and lower percentages in Government securities. As each L Fund matures, its mix gradually shifts to more conservative investments with a higher percentage of Government securities and lower percentages of stocks. This more conservative mix is designed to preserve assets while still providing protection against inflation. (Detailed information about each L Fund is available on the TSP website.)

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 TSP offers five L Funds based on time horizon:

- **L 2050¹** — 2045 and later
- **L 2040** — 2035 through 2044
- **L 2030** — 2025 through 2034
- **L 2020** — 2015 through 2024
- **L Income** — Now withdrawing or expecting to begin withdrawing by 2014

If you decide to invest your entire account in one of the L Funds, you are done making your investment decisions. Your L Fund will automatically rebalance based on your time horizon.

¹ The L 2050 Fund will be available at the end of January 2011. It was established following the retirement of the L 2010 Fund in December 2010.

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 Barclays Capital 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 Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Stock Index (primarily large companies in 22 developed countries)

Visit www.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 TSP 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. On the other hand, investing entirely in the G Fund may not give you the returns you need to meet your retirement savings goal.

- ***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 upon 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)—there are two transactions you can make to put your money in the fund(s) you have chosen:

- The first transaction you need to make is a **contribution allocation**. This transaction directs how new money (contributions, transfers into the TSP, loan payments) will be invested. It does not change your existing account balance.
- The second transaction you may want to make is an **interfund transfer (IFT)**. An IFT is a transaction that allows you to redistribute all or part of your existing TSP account 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 which 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). An IFT has no effect on new money coming into your account. (If you have both a civilian and a uniformed services account, this applies to each account separately.)

The transfer counts in the calendar month we process it, not in the month you submit it.

You can perform these transactions in the My Account section of the TSP website, using your TSP account number (or customized user ID) and Web password, or you can request these transactions through the ThriftLine, using your TSP account number and PIN (see page 5).

Transferring Other Investments Into Your TSP Account

If your TSP account has already been established, you can transfer (pre-tax) balances from your traditional IRAs or eligible employer plans into your account. This money will be invested according to your most recent contribution allocation. Use the form Request for a Transfer Into the TSP (Form TSP-60 for civilians; Form TSP-U-60 for members of the uniformed services), which is available at www.tsp.gov.

Account Information

Your Account Balance

Your account balance (expressed in both dollars and shares) is available in the My Account section of the TSP website 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 Participant Statements

Your first quarterly statement will be mailed to you. After that, quarterly statements will be available only on the TSP website unless you

make a request to continue receiving them in the mail. You can make this request on the TSP website or the ThriftLine.

You will also receive an annual participant statement at the beginning of each calendar year. That statement will provide a summary of your account activity for the previous year and give you other information, such as a listing of your primary beneficiaries, an account profile, and your cumulative lifetime contributions to the TSP. 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;
- your beneficiary designation information is correct;
- the contribution amount is correct;
- payments on any loans you may have are being deposited correctly; and
- transactions (interfund transfers, loans, withdrawals, etc.) have been properly recorded.

Correcting Your Account Information

To correct personal information, **active employees and members of the uniformed services** should have their agencies or services make any corrections to their TSP account records. **Separated participants** should notify the TSP directly. A separated participant can also make address changes on the TSP website or send Form TSP-9, Change in Address for Separated Participant, to the TSP.

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

If you change agencies (or payroll offices), make sure that your TSP contributions (and your loan payments, if any) continue after you transfer. Report any errors to your new payroll office immediately, and follow up to make sure the corrections took effect.

Getting Your Money Out

Automatic Enrollment Refunds

Generally, if you were automatically enrolled in the TSP, you have 90 days from the date of your first contribution to request a refund of your own automatic enrollment contributions and earnings using Form TSP-25, Automatic Enrollment Refund Request. If you are a FERS employee, you will forfeit your Agency Matching Contributions, but Agency Automatic (1%) Contributions will remain in your account.

Loans

The TSP loan program allows eligible participants to borrow from their accounts and repay the loan with interest.

There are two types of loans:

- **General purpose loans**, which can be used for any purpose, have a repayment period of 1 to 5 years.
- **Residential loans**, which are available only for the purchase or construction of a primary residence, have a repayment period of 1 to 15 years.

To learn more about the loan program, read the TSP booklet *Loans*, which is available from the TSP website or from your agency or service. In particular, read the section that discusses the things to consider before you borrow; it will help you decide whether your TSP account is your best option for borrowing money. Taking a loan can reduce your TSP balance at retirement because the interest rate you pay to your account for the loan may be less than the earnings you would have received if the money had remained in your account.

In-Service Withdrawals

If you are still employed by the Federal Government, you can withdraw money from your account only under the following circumstances:

- If you are 59½ or older, you may make a one-time ***age-based in-service withdrawal***.
- If you have a financial hardship, you may make a ***financial hardship in-service withdrawal*** (limited to one every 6 months). You will not be allowed to make contributions to your account for 6 months after you make the withdrawal. (If you are a FERS employee, you will not receive Agency Matching Contributions during that time; Agency Automatic (1%) Contributions will continue.) In addition, if you are under age 59½, you may be required to pay an early withdrawal penalty tax.

Other restrictions apply to these withdrawals. Read the TSP booklet *In-Service Withdrawals* and the TSP tax notice “Important Tax Information About Payments From Your TSP Account” for more information.

Post-Separation Withdrawals

When you leave Federal service, you have a number of withdrawal options:

- **Leave your money in the TSP.** If you have \$200 or more, you can leave your account in the TSP. (If your vested account balance is less than \$200, the TSP will automatically send you the entire amount in a single payment. You cannot leave it in the TSP.)

You must withdraw your account (or begin receiving monthly payments) by April 1 of the year following the year you turn 70½ and are no longer in Federal service.

If you have both a civilian and a uniformed services TSP account and you separate from Federal civilian service or from the uniformed services (or both), you may combine your TSP accounts. Use Form TSP-65, Request to Combine Uniformed Services and Civilian TSP Accounts.

- **Make a partial withdrawal.** You may make a one-time, single-payment, partial withdrawal (but only if you had not previously made an age-based in-service withdrawal).
- **Make a full withdrawal.** You have three options to withdraw your entire TSP account balance:
 - A single payment
 - Monthly payments
 - An annuity (purchased for you by the TSP at a minimum of \$3,500)

You can combine any of these three full withdrawal options.

You can also have the TSP transfer part or all of certain types of withdrawals to a traditional IRA, an eligible employer plan, or a Roth IRA.

When considering your withdrawal options, use the calculators on the TSP website to estimate the amount of annuity payments or monthly payments you might receive.

The booklet *Withdrawing Your TSP Account After Leaving Federal Service* describes your TSP withdrawal options. You should also read the TSP tax notice “Important Tax Information About Payments From Your TSP Account.” The booklet and tax notice are available from the TSP website, your agency or service, or the TSP.

Spouses’ Rights

Spouses’ rights requirements apply to loans, in-service withdrawals, and post-separation withdrawals.

Loans, In-Service Withdrawals, and Partial Withdrawals. If you are a married FERS participant or a member of the uniformed services, your spouse must give written consent to your loan, or notarized written consent to your in-service or partial withdrawal request. If you are a married CSRS participant, the TSP will notify your spouse of your loan application or your partial or in-service withdrawal request.

Post-Separation Full Withdrawals. Spouses’ rights requirements apply to vested accounts of more than \$3,500. If you are a married FERS participant or a member of the uniformed services, your spouse is entitled to a prescribed joint life and survivor annuity. If you select any other withdrawal option (including any other annuity option), your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

Under certain limited circumstances, exceptions to these requirements may be granted. See Form TSP-16, Exception to Spousal Requirements (TSP-U-16 for members of the uniformed services), available on the TSP website.

Check List for New Participants

- ✓ If you are a new FERS participant, consider increasing your employee contributions to at least 5% of your basic pay to make sure that you earn the maximum agency matching funds.
- ✓ Safeguard your TSP account number, your Web password, your ThriftLine Personal Identification Number (PIN), and, if applicable, your Web user ID to protect your account.
- ✓ Read about your TSP investment options.
- ✓ Decide whether you want to use one of the TSP's professionally designed Lifecycle Funds or manage your own TSP investments.
- ✓ Make a *contribution allocation* to direct the way your future contributions are invested.
- ✓ Make an *interfund transfer* to move your existing account balance into the funds of your choice. (New accounts are invested in the G Fund.)
- ✓ Decide whether you want to designate beneficiaries for your account.

To learn more about the TSP, ask your agency or service for a copy of the *Summary of the Thrift Savings Plan*, or download one from the TSP website at www.tsp.gov. The forms and publications referred to in this booklet can be obtained from the TSP website or your TSP representative.

TSP Website

www.tsp.gov

ThriftLine

1-TSP-YOU-FRST

(1-877-968-3778)

**(Toll free from the United States
and Canada)**

All Other International Callers

404-233-4400

(Not toll free)

Fax Number

1-866-817-5023

TDD

1-TSP-THRIFT5

(1-877-847-4385)

TSP Mailing Address

Thrift Savings Plan

P.O. Box 385021

Birmingham, AL 35238

Federal Retirement Thrift Investment Board



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