THRIFT SAVINGS PLAN
YOUR PLAN ★ YOUR FUTURE

My Account | Plan Participation | Investment Fu | rticipant Support

Enter search term(s)

TSP Transfers and Rollovers:

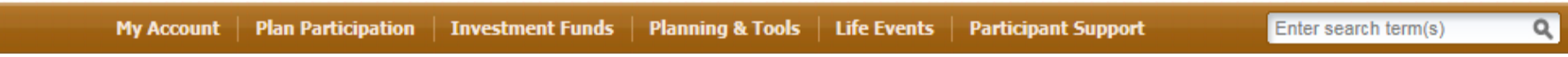
How, When, and Why (or Why Not!)

Presented by:

Federal Retirement Thrift Investment Board

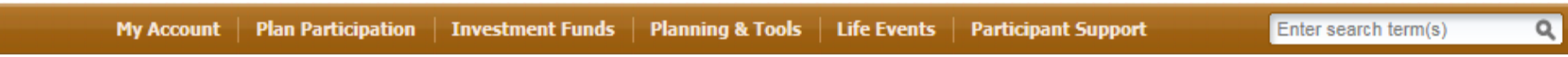
March 2015

Transfers and Rollovers



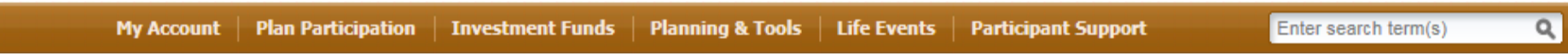
- Transfer (aka ***direct rollover***)
  - Money moves directly from one account or retirement plan to the other
- Rollover (aka ***60-day*** or ***indirect rollover***)
  - You must complete the transaction within 60 days
  - May result in taxes, withholdings, and/or penalties if not properly executed

IRAs and “Plans”



- IRAs – Individual Retirement Accounts (or Individual Retirement Arrangements), including:
  - Traditional
  - Roth
  - SIMPLE
- Plans – eligible employer plans, including:
  - TSP
  - 401(k)
  - Profit-sharing plans
  - 403(b) plans
  - 457(b) plans

When can I make a transfer or rollover?



- The TSP can accept ***inbound*** rollovers and transfers any time, as long as your account is open and has a balance greater than $0.00
- The TSP can only make ***outbound*** transfers as part of certain withdrawals (see the Tax Notice, TSP-536, *Important Tax Information About Payments From Your TSP Account*, for more information)

More on Eligible Rollover Distributions

My Account | Plan Participation | Investment Funds | Planning & Tools | Life Events | Participant Support | Enter search term(s)

Important Tax Information About Payments From Your TSP Account

Before you decide how to receive the money in your Thrift Savings Plan (TSP) account, you should review the important information in this notice. Although the TSP can assist you with your withdrawal, we cannot provide tax advice. Because tax rules are complex, you may wish to speak with a tax advisor before you make any withdrawal decisions.

You can find more specific information on the tax treatment of payments from retirement plans like the TSP in IRS Publication 575, *Pension and Annuity Income,* IRS Publication 590, *Individual Retirement Arrangements (IRAs),* and IRS Publication 721, *Tax Guide to U.S. Civil Service Retirement Benefits.* (See Section 6, Resources.)

1. Your TSP Account Balance

The tax treatment of your payment(s) depends on the type of money you have in your TSP account. Your TSP account may consist of a traditional (non-Roth) balance, a Roth balance, or both.

Your **traditional (non-Roth) balance** is made up of all employee contributions that you designated as traditional when you made your contribution election and the earnings on those contributions. If you are covered by the Federal Employees' Retirement System (FERS), it also includes your Agency Automatic (1%) Contributions, as well as any Matching Contributions made to your account. Earnings on agency (or service) contributions are also a part of your traditional (non-Roth) balance.

Your **Roth balance** is made up of all employee contributions that you designated as Roth when you made your contribution election and the earnings on those contributions. Earnings on all Roth contributions (including tax-exempt contributions) are tax-free provided certain Internal Revenue Service (IRS) rules are met. See Section 2.

If you are a member of the uniformed services serving in a combat zone, your TSP contributions will continue to be made from your tax-exempt pay. Those tax-exempt contributions will be deposited into the balance(s) you choose when you make your TSP contribution election.

2. General Tax Information

If you have traditional (non-Roth) contributions in your TSP account, you have not yet paid taxes on those contributions or the earnings. You will owe taxes on those contributions (except contributions made from tax-exempt pay) and earnings when you receive a payment (distribution) from your account. You may continue deferring payment of taxes by transferring or rolling over the payment to a traditional IRA or an eligible employer plan.

If you have Roth contributions in your TSP account, you have already paid taxes on those contributions. You will not owe taxes on those contributions when you receive a payment (distribution) from your account. The tax treatment of earnings depends on whether the payment is a "qualified distribution," which means that your entire payment is distributed tax-free.

The earnings in your Roth balance become qualified, and are therefore 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 (this is referred to as the 5-year rule[1]), **AND**

[1] If you transferred money to your TSP Roth balance from a Roth account maintained by another employer plan, the 5-year clock begins on January 1 of the year your first contribution was made to your TSP Roth balance or, if earlier, January 1 of the year you made your first contribution to the Roth account of the other employer plan.

Tax Notice

TSP-536 (1/2015)
Previous Editions Obsolete

Department of the Treasury
Internal Revenue Service

Publication 590-A
Cat. No. 66302J

Contributions to Individual Retirement Arrangements (IRAs)

For use in preparing
2014 Returns

Get forms and other information faster and easier at:
- IRS.gov (English)
- IRS.gov/Korean (한국어)
- IRS.gov/Spanish (Español)
- IRS.gov/Russian (Русский)
- IRS.gov/Chinese (中文)
- IRS.gov/Vietnamese (Tiếng Việt)

Jan 13, 2015

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What's New for 2014

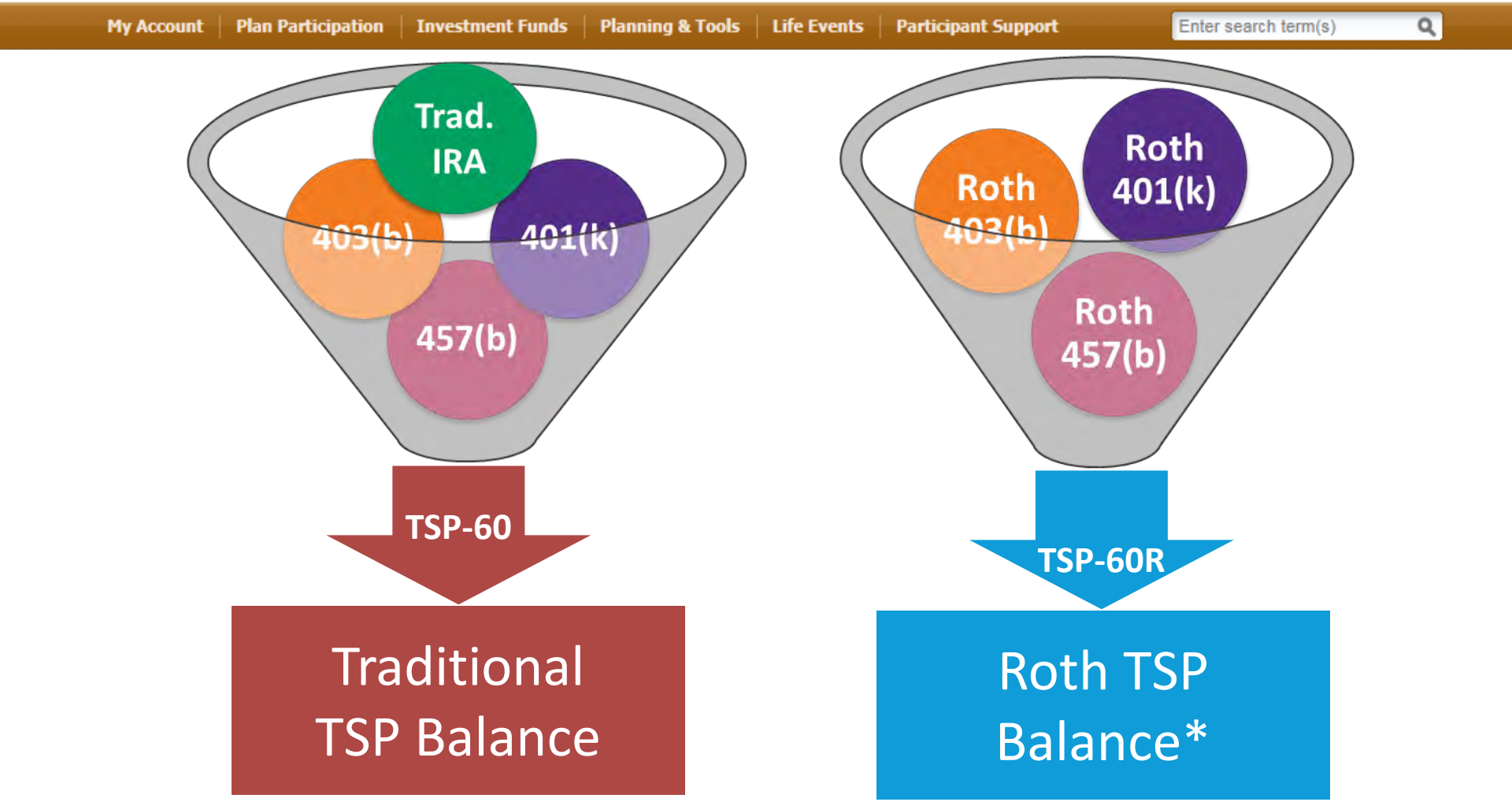
Publication 590 split. Publication 590 has been split into two separate publications as follows.

- Publication 590-A, covers contributions to traditional IRAs as well as Roth IRAs. This publication will include the rules for rollover and conversion contributions.
- Publication 590-B, covers distributions from traditional IRAs as well as Roth IRAs. This publication will include the rules for required minimum distributions and IRA beneficiaries.

Modified AGI limit for traditional IRA contributions increased. For 2014, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified AGI is:

- More than $96,000 but less than $116,000 for a married couple filing a joint return or a qualifying widow(er),
- More than $60,000 but less than $70,000 for a single individual or head of household, or

Inbound Transfers and Rollovers



*Transfers only - TSP cannot accept Roth rollovers

Outbound Transfers and Rollovers

Traditional TSP Balance

- Employer plan (pre-tax)
- Traditional IRA
- Roth IRA

Roth TSP Balance

- Employer plan (Roth acct)*
- Roth IRA

*Transfers only – rollovers not permitted to designated Roth accounts in employer plans

Outbound Transfers and Rollovers

Choice of Tax Regimes

My Account | Plan Participation | Investment Funds | Planning & Tools | Life Events | Participant Support | Enter search term(s)

Traditional TSP

Deferred taxes
No withholding
No penalty

Roth TSP

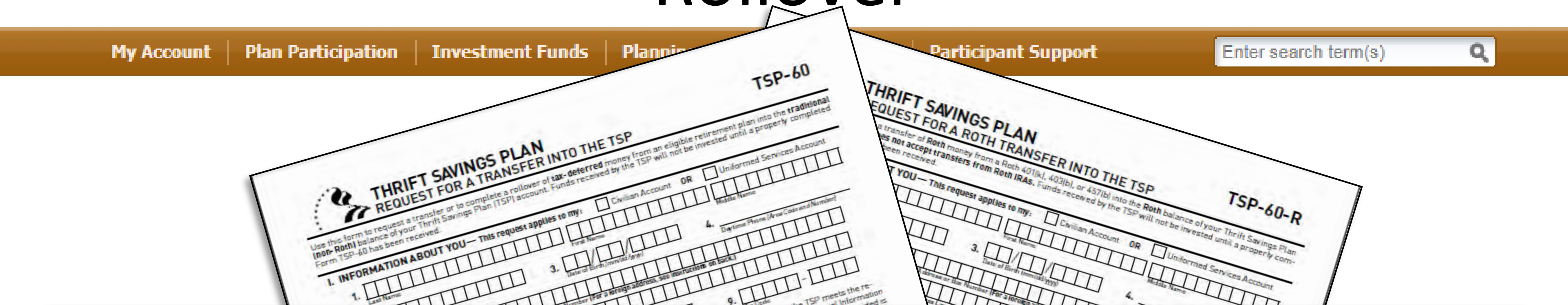
Deferred taxes
(if applicable)
No withholding
No penalty

Traditional IRA or employer plan

Roth IRA or employer plan*

*Note: money from your traditional TSP balance may be transferred to a Roth IRA, but not to the Roth balance of an employer plan

Requesting an Inbound Transfer or Rollover



II. INFORMATION FROM IRA OR PLAN — This section **must** be completed by the trustee (or custodian) of the IRA or by the administrator of the eligible employer plan from which the distribution is being (or was) made. Be sure to read the instructions for certification requirements for **rollovers**. Also, if this distribution is from a SIMPLE IRA, you must provide written documentation showing the period of participation.

12. This is a: ☐ Transfer (Direct Rollover) ☐ Rollover (For definitions, see the General Information section of this form.)

13. This distribution is from a(n): ☐ Traditional IRA ☐ SIMPLE IRA ☐ Eligible Employer Plan

14. Gross amount of tax-deferred distribution: $ ☐,☐☐☐,☐☐☐.☐☐

15. ☐☐/☐☐/☐☐☐☐
Date of Distribution *(mm/dd/yyyy)*

Certification — I certify that the funds are being (or have been) distributed from an eligible retirement plan as defined in IRC § 402(c)(8)(B) and as described in the General Information section of this form.

16. ______________________
Typed or Printed Name of Financial Institution Representative or Plan Administrator

17. ______________________
Daytime Phone *(Direct Number)*

18. ______________________
Signature of Financial Institution Representative or Plan Administrator

19. ☐☐/☐☐/☐☐☐☐
Date Signed *(mm/dd/yyyy)*

Thrift Savings Plan

TSP-70
Request for Full Withdrawal

June 2013

Requesting An Outbound Transfer

IV. WITHDRAWAL ELECTION — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment **or** choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. 10 .0% **Single Payment**

b. 20 .0% **Life Annuity** (Must equal $3,500 or more. Also complete Page 6.)

c. 70 .0% **TSP Monthly Payments** → Tell us how to pay your monthly payments:

100 % **(Total a, b, and c)**

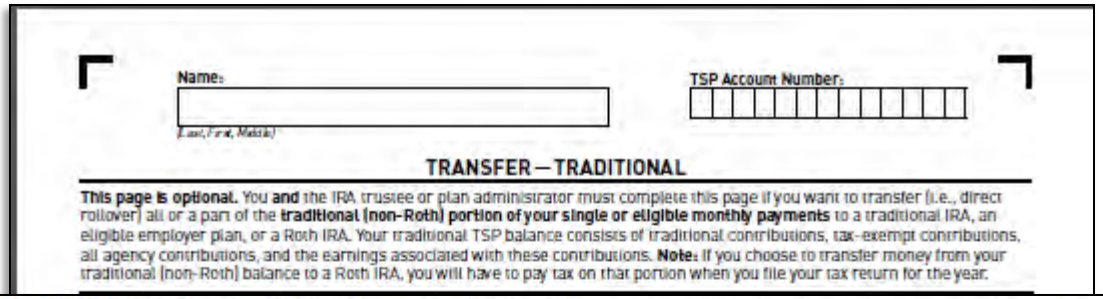
$, .00 per month ($25.00 or more)

OR

X Compute my payments based on my life expectancy.

V. TRANSFER ELECTION

24. X I would like to **transfer** all or a portion of my single payment and/or eligible monthly payments (indicated in Section IV) to an IRA or eligible employer plan. (See instructions for an explanation of eligible monthly payments. **Note:** You must include the completed applicable transfer page(s) from this form with your withdrawal request package.)



Name:

(Last, First, Middle)

TSP Account Number:

TRANSFER—TRADITIONAL

This page is optional. You **and** the IRA trustee or plan administrator must complete this page if you want to transfer (i.e., direct rollover) all or a part of the **traditional (non-Roth) portion of your single or eligible monthly payments** to a traditional IRA, an eligible employer plan, or a Roth IRA. Your traditional TSP balance consists of traditional contributions, tax-exempt contributions, all agency contributions, and the earnings associated with these contributions. **Note:** If you choose to transfer money from your traditional (non-Roth) balance to a Roth IRA, you will have to pay tax on that portion when you file your tax return for the year.

X. TRANSFER INFORMATION FOR *TRADITIONAL* BALANCE — This section is to be completed by the IRA trustee or plan administrator.

The account described here must be a traditional IRA, eligible employer plan, or Roth IRA. Please return this completed form to the participant. **Do not submit transfer forms of financial institutions or plans.**

38. Type of Account: ☐ Traditional IRA ☐ Eligible Employer Plan ☐ Roth IRA

39. IRA/Plan Account Number or Other Customer ID

40. ☐ Check this box if tax-exempt balances are accepted into the account identified above.

41. Provide the **name and mailing address information below exactly as it should appear** on the front of the check.

Make check payable to

If needed, use these boxes to supplement "check payable to" information above.

Street Address

City State Zip Code –

Only the financial institution or plan should complete this information. It will be used to identify the account that will receive the transfer.

I confirm the accuracy of the information in this section and the identity of the individual named above. As a representative of the financial institution or plan to which the funds are being transferred, I certify that the financial institution or plan agrees to accept the funds directly from the Thrift Savings Plan and deposit them into the IRA or eligible employer plan identified above.

Withdrawal Wizard

My Account | Plan Participation | Investment Funds | Planning & Tools | Life Events | Participant Support | Enter search term(s)

Request for Full Withdrawal: Uniformed Services

1 About You > 2 Spouse Information > 3 Withdrawal Information > 4 Review Withdrawal > 5 Certification > 6 Finish

I would like to receive my **Single Payment** as:

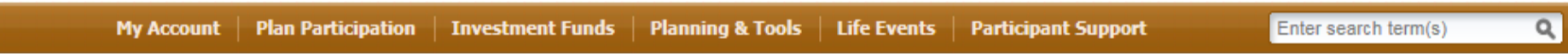
- ( ) A single sum paid directly to me
- (•) A complete (100%) transfer to a traditional IRA, eligible employer plan, or Roth IRA
- ( ) A partial transfer of [ ] .0 % to traditional IRA, eligible employer plan, or Roth IRA and the remainder paid directly to me

Any amount paid directly to you will be subject to mandatory 20% Federal income tax withholding. If you transfer all or any part of your **Single Payment** to a Roth IRA, you must pay tax on the amount you transfer; the tax must be paid for the year the transfer is made.

What should I consider?

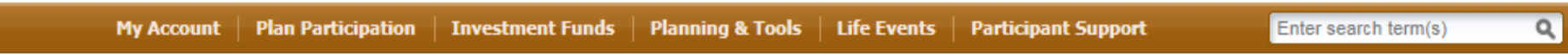
- Investment Options
- Fees and Expenses
- Services
- Early Withdrawal Penalty
- Required Minimum Distributions

What's the bottom line?



- Different types of accounts can differ in unexpected ways
- The destination account determines what rules, costs, and restrictions will apply to your money
- Take a careful, holistic look at all your options before you leap

Investment Options



- IRAs
  - Might offer more investment options than a plan
- Plans (including TSP)
  - May be able to offer lower cost (“institutional”) share classes
  - Investment menus are selected and monitored by plan fiduciaries
- TSP
  - Offers 5 low-cost, passively managed funds

See our L Funds on the reverse side.

C FUND
Common Stock Index Investment Fund

What It Is:
A fund containing stocks of large and medium-sized U.S. companies

Benchmark Index:
Standard & Poor's 500 Stock Index

PROS: Potential for high investment returns over the long term

RISKS: Can be volatile depending on stock market performance

S FUND
Small Capitalization Stock Index Investment Fund

What It Is:
A fund containing stocks of small to medium-sized U.S. companies

Benchmark Index:
Dow Jones U.S. Completion TSM Index

PROS: Potential for high investment returns over the long term

RISKS: Can be volatile depending on stock market performance

I FUND
International Stock Index Investment Fund

What It Is:
A fund containing international stocks from more than 20 developed countries

Benchmark Index:
Morgan Stanley Capital International EAFE Stock Index

PROS: Potential for high investment returns over the long term

RISKS: Can be volatile depending on stock market performance. Returns also depend on the value of the U.S. dollar.

F FUND
Fixed Income Index Investment Fund

What It Is:
A fund containing Government, corporate, and asset-backed bonds

Benchmark Index:
Barclays Capital U.S. Aggregate Bond Index

PROS: May earn returns that are higher than money market funds over the long term with relatively low risk

RISKS: Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns.

G FUND
Government Securities Investment Fund

What It Is:
A fund containing Government securities that are specially issued to the TSP

PROS: Does not lose money; has a consistent but relatively low investment return

RISKS: Your money may not grow enough to meet your retirement needs or outpace inflation.

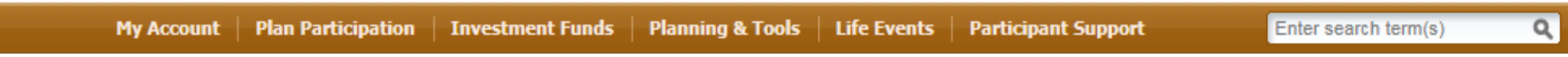
THRIFT SAVINGS PLAN

DC 14-13 (11/2013)

We offer 5 core funds that you can customize based on your comfort level...

For more comprehensive information, visit the Forms & Publications section of tsp.gov and scroll to "Fund Sheets at a Glance."

TSP & Diversification



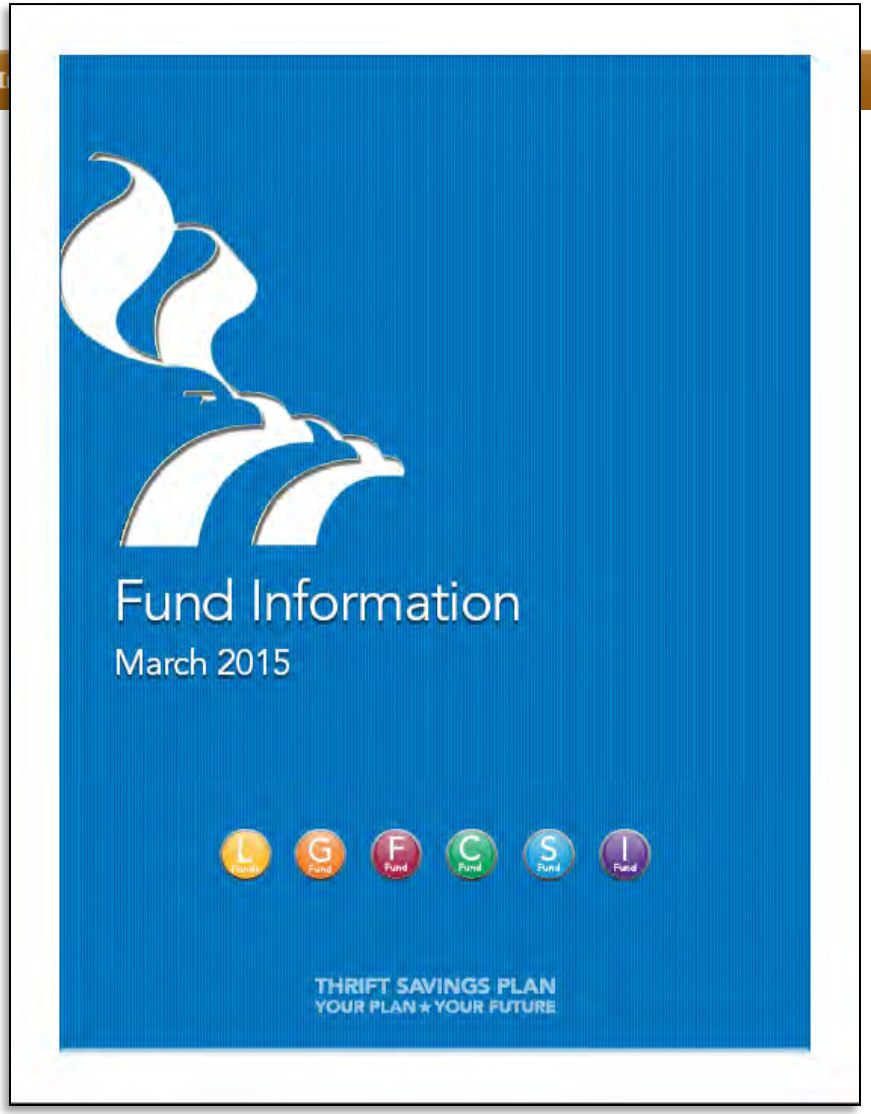
"The five core [TSP] investment alternatives span the risk/return spectrum and include what we would consider to be all of the core building blocks to build a diversified investment portfolio."

Hewitt Ennis Knupp, *Investment Option Review*, February 2013

Fees and Expenses

- Investment-related expenses may include
  - Sales loads
  - Commissions
  - Mutual fund expenses
  - Investment advisory fees
- IRA account fees may include
  - Administrative, account set-up and custodial fees
- Plan fees typically include
  - Plan administrative fees (e.g., recordkeeping, compliance, trustee fees)
  - Fees for services such as access to a customer service representative
- TSP administrative expenses are reflected in daily share prices
  - Plan loans incur a separate transaction fee

Tracking the the TSP Investment Funds



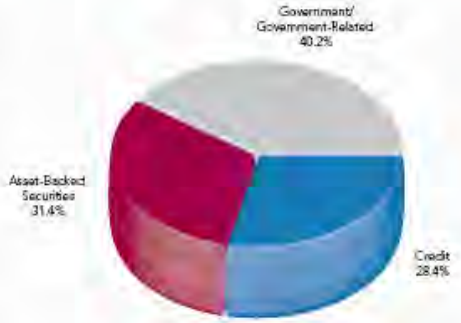
F Fund Facts

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Barclays Capital U.S. Aggregate (U.S. Aggregate) Bond Index, formerly the Lehman Brothers U.S. Aggregate Index, a broadly diversified index of the U.S. bond market.

The **U.S. Aggregate Index** consists of high-quality fixed-income securities with maturities of more than one year. The index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2014, the index included 9,079 notes and bonds. Its yield to maturity* was 2.25%. The average duration (a measure of interest rate risk) of the U.S. Aggregate Index was 5.07 years, which means that a 1% increase (decrease) in interest rates could be expected to result in a 5.07% decrease (increase) in the price of a security. New issues are added continuously to the U.S. Aggregate Index, and older issues drop out as they move to within one year of maturity.

F Fund Investments — The F Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. Because the U.S. Aggregate Index contains such a large number of securities, it is not feasible for the F Fund to invest in each security in the index. Instead, BlackRock selects a large representative sample of the various types of asset-backed, U.S. Government, corporate, and foreign government securities included in the overall index. Within each sector, BlackRock selects securities that, as a whole, are designed to match important index characteristics such as duration, yield, and credit rating. The performance of the F Fund is evaluated on the basis of how closely its returns match those of the U.S. Aggregate Index.

Barclays Capital U.S. Aggregate Index
Bond Market Sectors
December 31, 2014



Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first* two IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can only move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)

* The yield to maturity is the rate of return anticipated on a bond if held until the end of its lifetime (maturity date). It is expressed as an annual rate and takes into account a bond's current market price, its face (or par) value, coupon rate, and the time until it matures. It also assumes that all future coupon payments over the life of the bond are reinvested at the bond's current yield.

C Fund
COMMON STOCK INDEX INVESTMENT FUND

Information
as of December 31, 2014

Assets
$140.7 billion

Net Administrative Expenses*
$0.28 per $1,000 account balance,
.028% (2.8 basis points)

* Fees associated with securities lending are not included in 2014 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. Other expenses are disclosed in the financial statements and will be available in the April 2015 Highlights.

Benchmark Index
Standard & Poor's 500
Stock Index

Key Features

- The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard & Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks and dividend income.

Growth of $100

12/14

...en Holdings
...31, 2014

Wells Fargo & Company
General Electric Company
Procter & Gamble Company
JP Morgan Chase & Company
Chevron Corporation

	C Fund*	S&P 500 Index
1-Year	13.78%	13.69%
3-Year	20.49%	20.41%
5-Year	15.50%	15.45%
10-Year	7.72%	7.67%
Since Inception January 29, 1988	10.43%	10.62%

* After expenses

Annual Returns

View Table | Individual Funds Chart | Lifecycle Funds Chart

Select Funds to View:
- ○ Individual Funds (10 Yr Summary)
- ○ L Funds (Since Inception)
- ◉ Individual/Index Funds Comparison (Past 5 Yrs)

To understand how the TSP calculates rates of return for any given period of time and determines compound annual returns, read the Fact Sheet Calculating Periodic Returns and Compound Annual Returns.

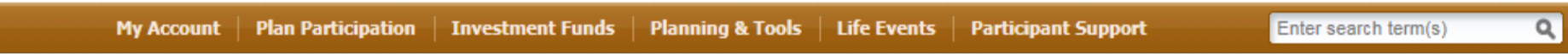
Individual/Index Funds Annual Returns (past 5 Yrs)

Year	G Fund	F Fund	U.S. Agg. Bond Index	C Fund	S&P 500 Index	S Fund	DJ U.S. Completion TSM Index	I Fund	EAFE Index
2010	2.81%	6.71%	6.54%	15.06%	15.06%	29.06%	28.62%	7.94%	7.75%
2011	2.45%	7.89%	7.84%	2.11%	2.11%	(3.38%)	(3.76%)	(11.81%)	(12.14%)
2012	1.47%	4.29%	4.22%	16.07%	16.00%	18.57%	17.89%	18.62%	17.32%
2013	1.89%	(1.68%)	(2.03%)	32.45%	32.39%	38.35%	38.05%	22.13%	22.78%
2014	2.31%	6.73%	5.97%	13.78%	13.69%	7.80%	7.63%	(5.27%)	(4.90%)

Percentages in ( ) are negative.

The returns of the four benchmark indexes do not reflect any deductions for administrative expenses, trading costs, or investment fees.

Services



- IRA providers offer different levels of service, which may include
  - Brokerage services
  - Investment advice
- TSP provides access to
  - Planning tools
  - Telephone help line (the ThriftLine)
  - Educational materials and workshops
  - Professionally designed portfolios (the Lifecycle Funds)
  - Income options
    - Monthly payments
    - Lifetime annuity payments
    - Supplemental payments to satisfy Required Minimum Distributions

TSP Services

Assistance and Education

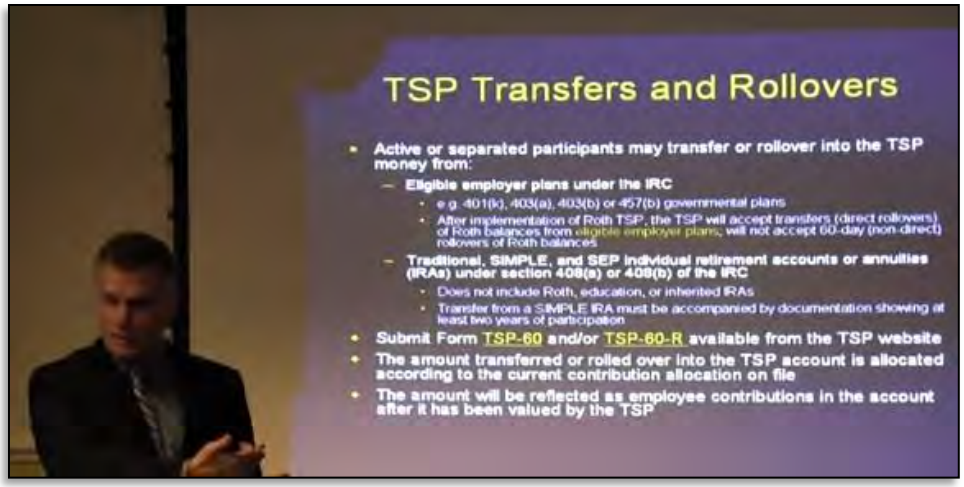
My Account | Plan Participation | Investment Funds | Planning & Tools | Life Events | Participant Support | Enter search term(s)

On the phone

In print

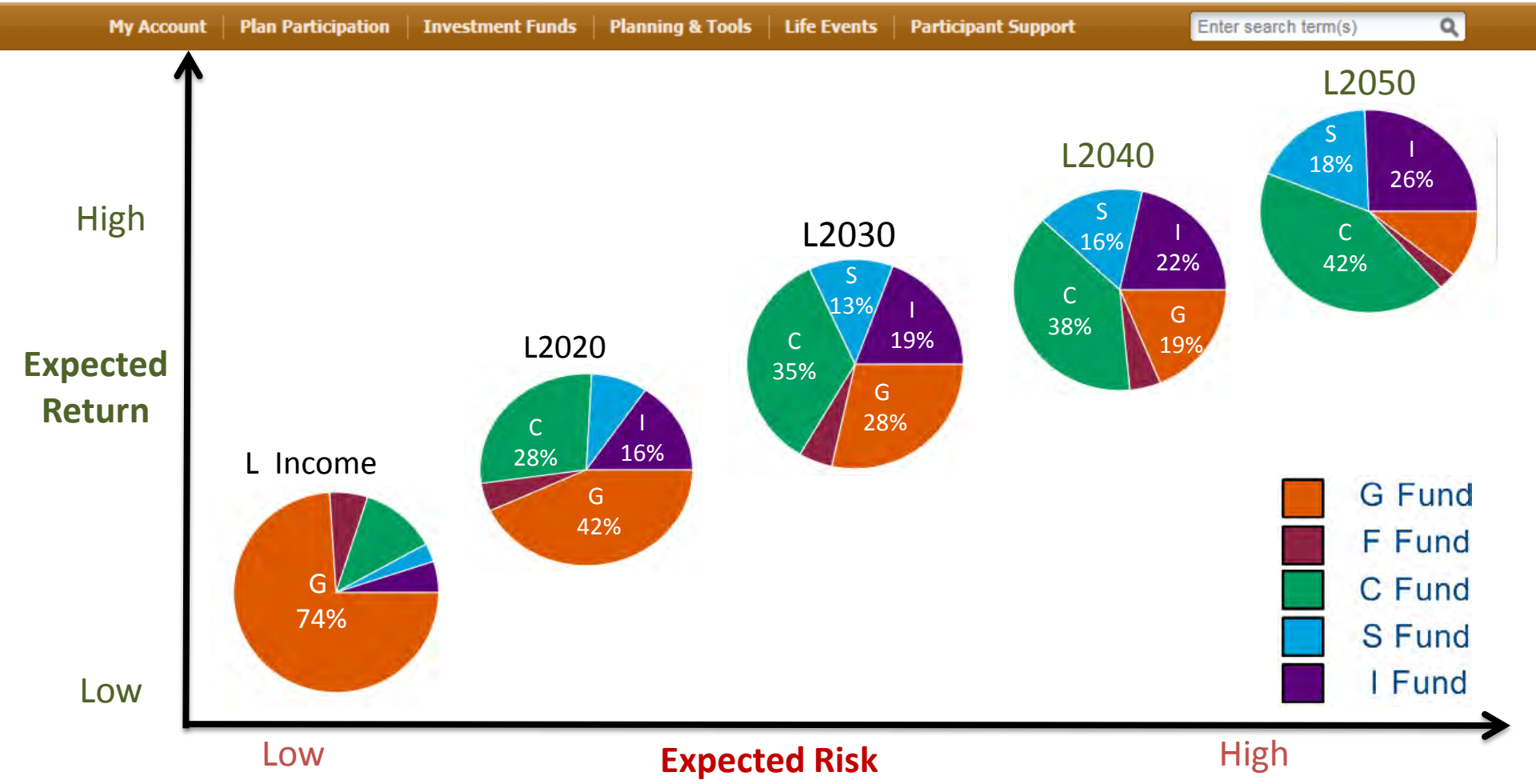
On the web

In your workplace



TSP Services

The Lifecycle Funds

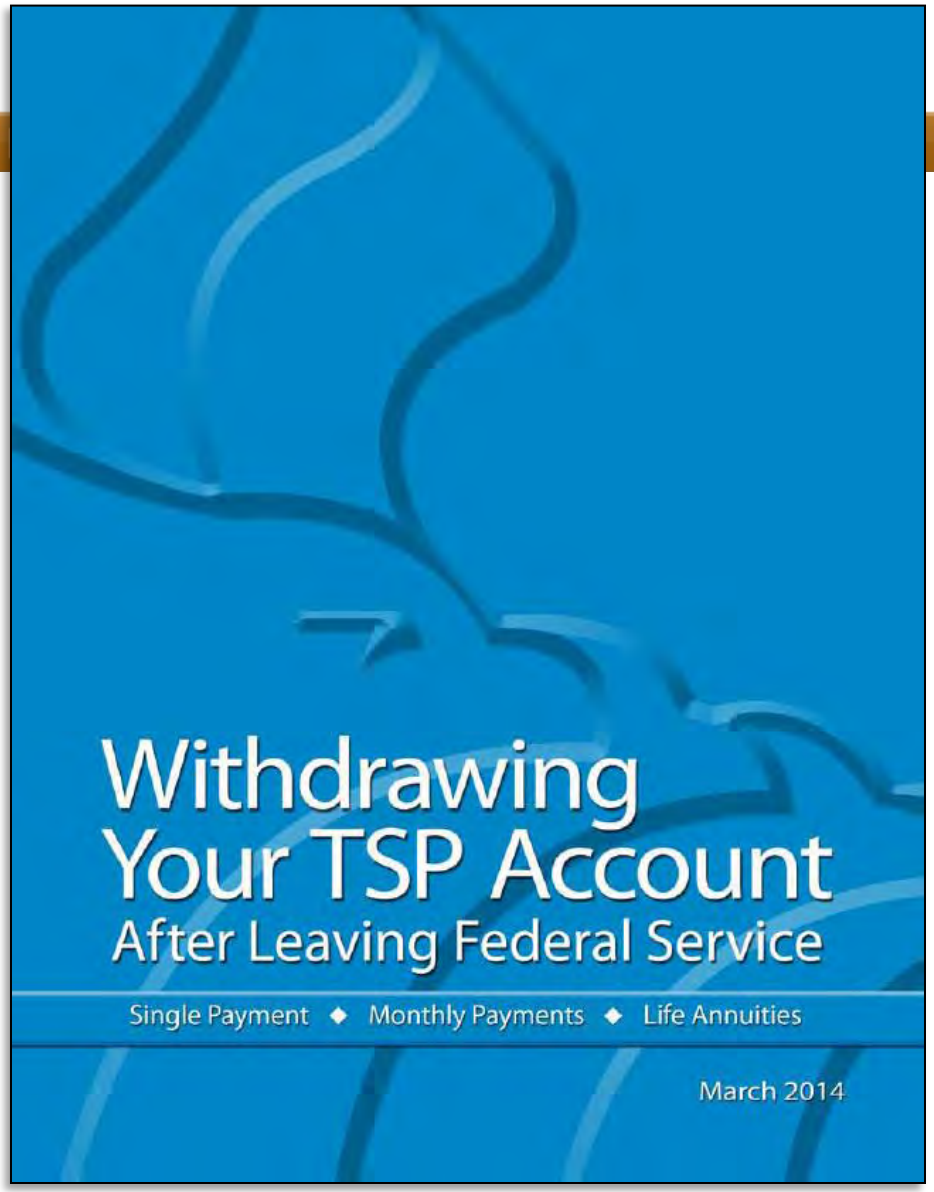


TSP Services

Retirement Income Options

- TSP is designed to be an asset for life
- TSP income options provide a “retirement paycheck” to get you through, not just to retirement
  - Deferred income: You can do nothing at all and let your savings compound until you’re ready to start receiving income
  - Flexible income: Monthly payments allow you to retain control of the account and make your own investment decisions
  - Lifetime income: Life annuities provide actuarially determined payments for life
  - Custom solutions: Mixed withdrawals let you combine the flexibility of monthly payments with the security of life annuity payments

More on Your Retirement Income Options



More on Your Retirement Income Options

My Account | Plan Participation | Investment Funds | Planning & Tools | Life Events | Participant Support | Enter search term(s)

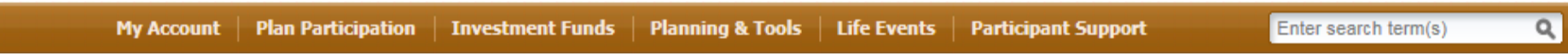
www.youtube.com/watch?v=m9nq2DNa_wg

www.youtube.com/watch?v=3ykBcSMAsRc

Will I be subject to a penalty if I retire early?

- IRAs
  - Generally, you can't take penalty-free withdrawals from an IRA until age 59½
  - Withdrawals for a few specific purposes are excepted
- Plans (including TSP)
  - If you leave your employer between ages 55 and 59½, you may be able to take penalty-free withdrawals from that employer's plan
- TSP life annuity payments and monthly payments computed by TSP are penalty-free regardless of your age

What are the rules for RMDs?



- IRAs
  - Generally, you must begin receiving RMDs from your IRAs after turning 70½, regardless of whether you continue working
  - Roth IRAs are not subject to the required minimum distribution rules
- Plans (including TSP)
  - Roth balances in a plan are subject to the required minimum distribution rules
  - If you are still working at age 70½, you generally are not required to receive RMDs from your current employer's plan
- The TSP income options are designed to ensure that you receive the RMDs required by law

Thinking about moving your TSP savings to another plan?

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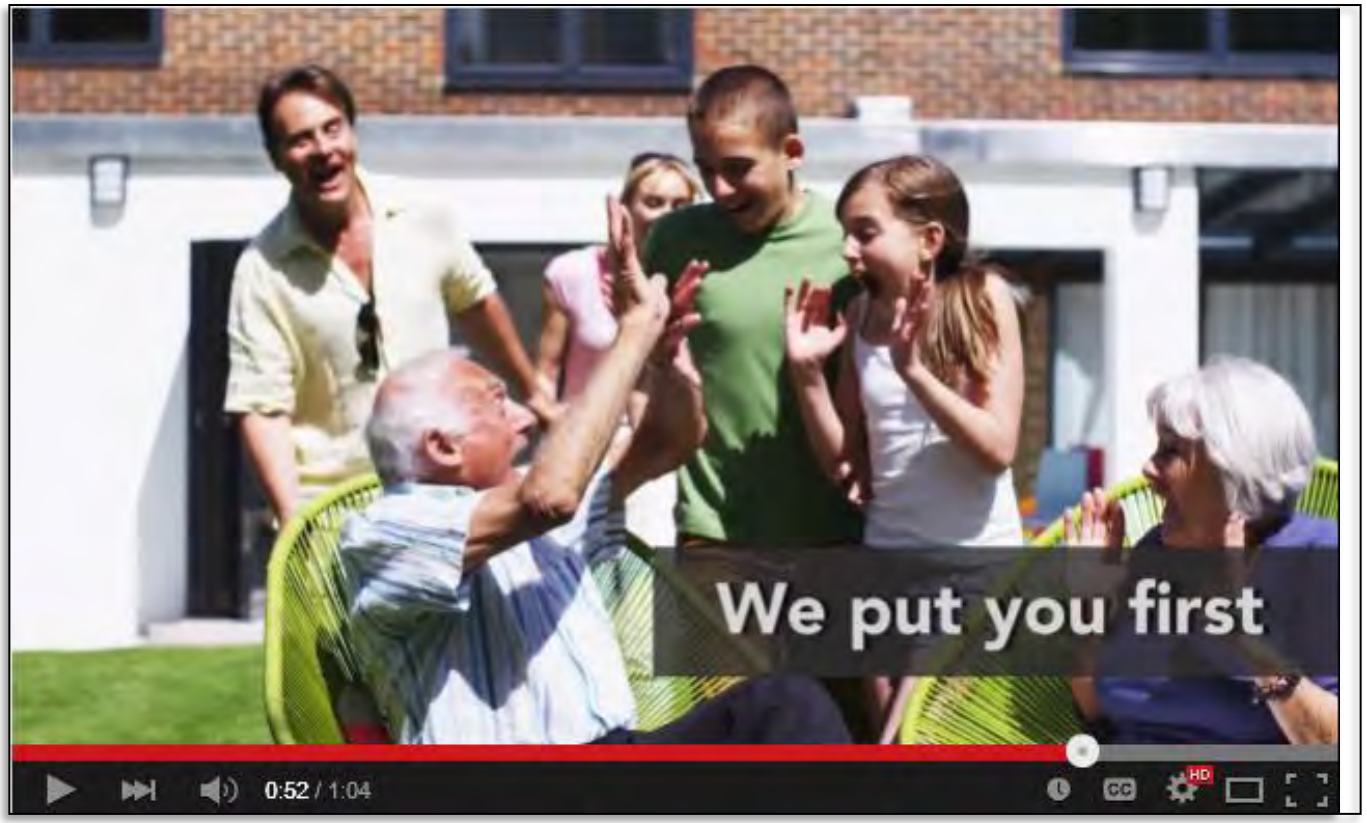
Watch this first. . . .
https://www.youtube.com/watch?v=NINMboa0mUM



Do the Math

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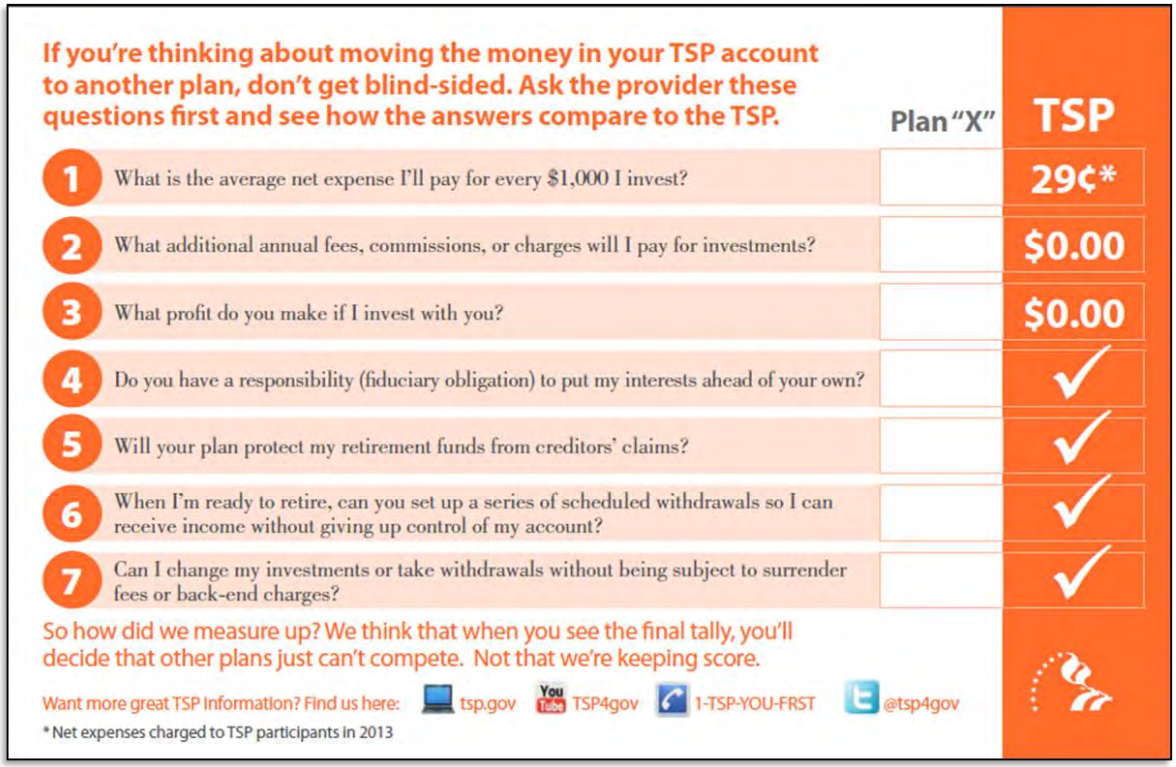
. . . and use the interactive scorecard at https://www.tsp.gov/keepingscore/ to evaluate your options



If you're thinking about moving the money in your TSP account to another plan, don't get blind-sided. Ask the provider these questions first and see how the answers compare to the TSP.

		Plan "X"	TSP
1	What is the average net expense I'll pay for every $1,000 I invest?		29¢*
2	What additional annual fees, commissions, or charges will I pay for investments?		$0.00
3	What profit do you make if I invest with you?		$0.00
4	Do you have a responsibility (fiduciary obligation) to put my interests ahead of your own?		✓
5	Will your plan protect my retirement funds from creditors' claims?		✓
6	When I'm ready to retire, can you set up a series of scheduled withdrawals so I can receive income without giving up control of my account?		✓
7	Can I change my investments or take withdrawals without being subject to surrender fees or back-end charges?		✓

So how did we measure up? We think that when you see the final tally, you'll decide that other plans just can't compete. Not that we're keeping score.

Want more great TSP information? Find us here: tsp.gov TSP4gov 1-TSP-YOU-FRST @tsp4gov

*Net expenses charged to TSP participants in 2013

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QUESTIONS???