



Leveraging Your TSP in 2021

Presented by ProFeds

Leveraging Your TSP in 2021

Welcome

- About today's topic
- Our audience today
- Q&A – the ProFeds Support Team standing by
- Handouts – available for download
- Recorded – how to get the replay
- Stay until the end!

Leveraging Your TSP in 2021

Your ProFeds Presenter



FedImpact
Retirement Training
presented by ProFeds

Chris Kowalik

- ProFeds Founder
- Developer of the FedImpact Retirement Workshop
- Host of the FedImpact Podcast

Support Team

- Standing by for your questions

Leveraging Your TSP in 2021

Leveraging Your TSP in 2021

Key insights to get the most out of the TSP in the new year

Agenda

- Contributions
- Agency match
- New funds
- Tax diversification
- Timing your changes for 2021
- Biggest regrets (and our challenge to you!)

What this webinar will NOT cover



Contribution Limits to the TSP

Contribution Limits for 2021

- IRS sets the limits each year on how much can be contributed to the TSP
- Limits* are unchanged for 2021:
 - Regular contributions: \$19,500/year (\$750/pp)
Open to all employees regardless of age
 - Catch-up contributions: extra \$6,500/year (\$250/pp)
Open only to employees turning age 50 or older

* These limits only apply to the amount the employee is contributing (not the agency's contribution amount)

Contribution Limits for 2021

- However, the method by which you make your contributions HAS changed for 2021!
 - Up to now, separate elections for “regular” and “catch-up contributions” have been required (and catch-ups had to be re-elected each year)
 - Starting in 2021, employees set ONE contribution amount (so instead of \$750/pp & \$250/pp, it will now be \$1,000/pp)
 - This new method is called the “spillover”

Update your contribution amounts during the last pay period of 2020!



Agency Match

To Get the Full Match

- Employees must contribute at least 5% of their salary to the TSP each pay period
- Breakdown:
 - Automatic: 1% (no matter what you do)
 - Match: 4% (but you must contribute 5%)

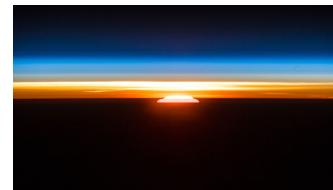


Missing Out on Some of the Match

- Let's examine a case study
 - Employee is age 45
 - Employee has a salary of \$52,250/yr
 - They plan to contribute the full amount allowable this year (\$19,500) to the TSP (37% of their salary)
 - Will they get the full 5% match? It depends!

Too much, too early	Scenario #1	Scenario #2
Annual income	\$52,250	\$52,250
Pay period contribution	\$750/pp	\$886/pp
Annual employee contribution	\$19,500	\$19,500 (TSP rejects after pp22)
Automatic 1%	\$522	\$522
Matched 4%	\$2,090	\$1,768

**Spread your contributions
over ALL 26 pay periods!**

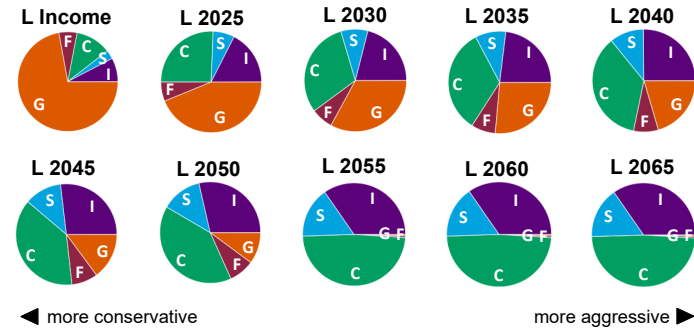


**New
Funds**

Lifecycle Fund Choices in the TSP

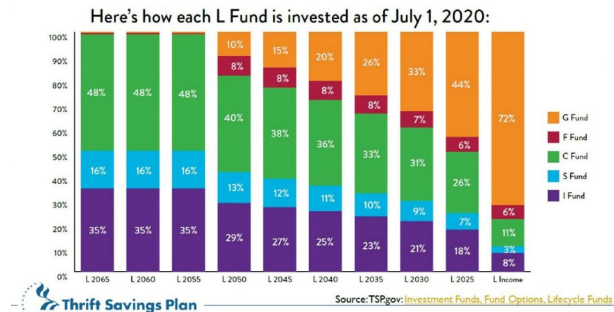
- What are lifecycle funds?
- The objective
- Are lifecycle funds right for you?
- How have lifecycle funds changed?

10 TSP Lifecycle Funds*



*Allocations shown at start date of each lifecycle fund. Each quarter, fund reallocates to become more conservative.

A Different View of the Lifecycle Funds



Need to dial-in your Lifecycle funds?



Tax Diversity

Tax Diversification

- The concept of the tax buckets
- Choosing when to take money from each bucket
- Ideally, each bucket works independently of one another

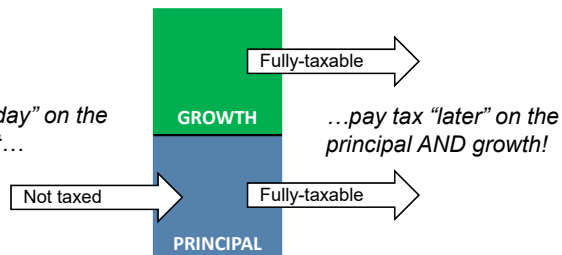


Tax-Advantaged Options in TSP (TRADITIONAL)

When \$\$\$ goes in

When \$\$\$ comes out

Save tax "today" on the principal, but...

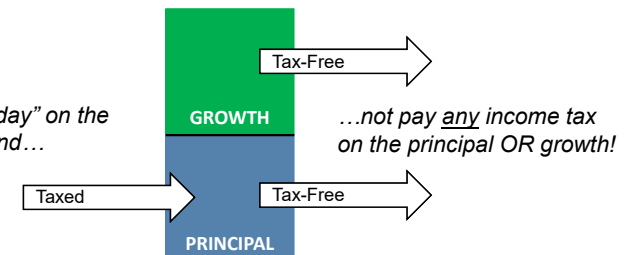


Tax-Advantaged Options in TSP (ROTH)

When \$\$\$ goes in

When \$\$\$ comes out

Pay tax "today" on the principal, and...



Limitations in TSP

- The TSP does NOT allow participants to differentiate how the Traditional or Roth monies are invested!
- For instance, you can't put your Roth contributions in the C Fund and your Traditional contributions in the G Fund



Timing Your Changes for 2021

Time for Making Changes

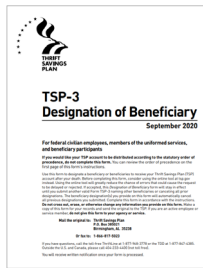
- Considering making changes to your TSP for 2021?
 - Login to TSP.gov
 - Make changes within the last pay period of 2020 to go into effect for the first pay period of 2021



Update Your Beneficiaries

Get Your Beneficiary Updated

- Make certain you have a valid designation of beneficiary on file with the TSP!
- Whoever is named WILL get your money (even a former spouse!)
- Login to TSP.gov to update or complete the printed TSP-3



Frequently Asked Questions



Q: *I thought I made changes to the funds I was invested in, but it only seems to affect my new contributions. How can I fix this?*

A: *There are two ways to change how you invest in the TSP. First, where your CURRENT money is. Second, where your NEW money goes.*

Q: *Is there an advantage to contributing a certain dollar amount instead of a percentage of my salary (or vice versa)?*

A: *Maybe! If you plan to only contribute enough to get the 5% match, you should choose the “%” option. If you plan to contribute exactly \$19,500 (or \$26,000), you should choose the “\$” option.*

Q: *Can I make a contribution to the TSP out of my checking account?*

A: *No – you are only permitted to contribute to the TSP through your paycheck, so be certain to make that election early enough in the year!*

Q: *If I retire before the end of the year, can I still contribute the full amount to TSP?*

A: *Yes – you are permitted to contribute the full \$19,500/year into the TSP regardless when in the year you retire (as long as you made at least \$19,500 that year).*

Q: *I have an outstanding TSP loan. Does this count against how much I can contribute?*

A: *No – all employees are permitted to contribute up to the IRS limits. Any loan repayment amount is completely separate from the contributions of “new” money to the TSP.*

Q: *Is it true that my agency only matches contributions made to the Traditional TSP?*

A: *No – you may choose to contribute to the Traditional and/or the Roth side of the TSP, but the agency’s match will always be deposited into the Traditional side of your account.*

Q: *I've been told that my spouse and I make too much money to contribute to the Roth TSP. Is that true?*

A: *No – those income limits only apply to private sector Roth IRAs (not Roth TSP). Couples with an AGI more than \$206k are disqualified from contributing to a Roth IRA (but this has no effect on TSP)!*

Q: *Most of my money in TSP is labeled as “Traditional” – can I change that to make it “Roth”?*

A: *No! The TSP does not allow you to “convert” Traditional money to make it Roth money in the TSP. You can only do this in a private sector account.*

Leveraging Your TSP in 2021



Regret vs. Challenge

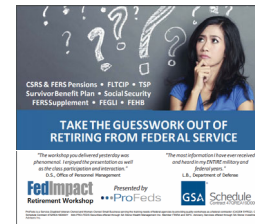
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Regret	Challenge
Getting started too late	Know that most never feel 'ready'
Not contributing more (and sooner)	Find a way to up your game
Missing out on agency match	5% – Every. Single. Pay Period.
Too aggressive or too conservative	Keep your emotions out
Trying to time the market	Stop it
Not taking tax diversity seriously	Consider Traditional & Roth strategy
Not seeking professional advice	Tip the odds in your favor – do it now



How Can You Tip the Odds in Your Favor?

Get the Rest of the Story



- Attend a workshop:
 - Virtual and live options
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
- See all the details at FedImpact.com/Attend

Handouts & Replay



- Handouts
 - Download
 - Emailed
- Replay
 - Link will be emailed to all registered participants

Next Webinar



- Next webinar topic!
 - Choosing the 'Perfect' Day to Retire: How not to let short-sighted decisions ruin your big day
- Sign-up at: FedImpact.com/Webinar

Find a workshop: FedImpact.com/Attend
Next webinar: FedImpact.com/Webinar



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for joining us

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CSRS & FERS Pensions • FLTCIP • TSP
Survivor Benefit Plan • Social Security
FERS Supplement • FEGLI • FEHB

TAKE THE GUESSWORK OUT OF RETIRING FROM FEDERAL SERVICE

The FedImpact Retirement Workshop gives federal employees a *no-nonsense approach* to evaluating the *financial impact of benefits decisions* made as they near retirement.

Our Training Agenda Includes:

- General Retirement Planning
- Federal Pensions (CSRS & FERS)
- Survivor Benefit Plan (SBP)
- Social Security (SS)
- Special Retirement Supplement (SRS)
- Life Insurance (FEGLI)
- Health Insurance (FEHB)
- Long Term Care Insurance (FLTCIP)
- Thrift Savings Plan (TSP)

Space is limited—reserve your spot today!

To register, visit: FedImpact.com/attend

“The workshop you delivered yesterday was phenomenal. I enjoyed the presentation as well as the class participation and interaction.”

D.S., Office of Personnel Management

“The most information I have ever received and heard in my ENTIRE military and federal years.”

L.B., Department of Defense

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GSA Schedule

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