



The TSP Mutual Fund Window

Your ProFeds Presenter



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The TSP Mutual Fund Window

The TSP Mutual Fund Window

The latest “upgrade” to TSP may surprise you

The TSP Mutual Fund Window

Agenda

- » **WHAT STAYS THE SAME:** review of the investment choices that have not changed in the TSP
- » **WHAT CHANGES:** outline of changes coming to investment options
- » **COST:** the fee structure for the new investment options

What this webinar will NOT cover

WHAT STAYS THE SAME

The “Core” TSP Funds Remain Unchanged

» For many years, the TSP has had these “core” funds:

Regular Funds

- G fund
- F fund
- C fund
- S fund
- I fund

Lifecycle Funds

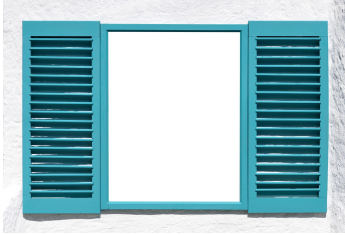
- L Income
- L 2025
- L 2030
- L 2035
- L 2040
- L 2045
- L 2050
- L 2055
- L 2060
- L 2065

- » You may choose to invest in any combination you wish
- » The cost to use the “core” funds is unchanged

THE MUTUAL FUND WINDOW

The TSP Mutual Fund Window

Introducing the “Mutual Fund Window”



- » Original legislation allowing mutual funds to be offered in the TSP was passed over a decade ago, but it is now being rolled out in June 2022
- » TSP will offer roughly 5,000 mutual funds in a “mutual fund window”
- » Push for ESGs (Environmental/Social Governance) funds

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Restrictions to Use the “Mutual Fund Window”

- » You must have at least \$40,000 in your account to use the mutual fund window
- » The minimum initial transfer for the mutual fund window is \$10,000
- » You can't invest more than 25% of your TSP in the mutual fund window



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Costs to Use the “Mutual Fund Window”



- » Annual maintenance fee of \$95
- » Annual administrative fee of \$55 (designed to ensure that those who do NOT participate in this MFW, don't bear any of the extra administrative burden)
- » Per trade fee of \$28.75
- » The mutual fund fees and expenses (depends which mutual funds you choose)

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Costs to Use the “Mutual Fund Window”

- » Example: If you have \$500,000 in TSP
 - You are allowed to put \$125,000 in the MFW
 - If you do, these are the costs you would incur:
 - \$95 maintenance fee
 - \$55 administrative fee
 - \$28.75 trade fee (how many would you do? 1, 12, 24?)
 - Unknown mutual fund fee (let's assume it's 1%), that's \$1,250
 - Plus, the normal TSP fee on the other \$375,000 in Core funds

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To Start the “Mutual Fund Window”

- » You must first:
 - Create a mutual fund window account
 - Sign an “acknowledgement of risk”
- » Then, you can:
 - Elect to transfer funds from TSP core funds to a “sweep” account (a temporary money market where money is held), then direct to one or more MFW positions
 - IMPORTANT: Cannot invest DIRECTLY into the MFW



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Interfund Transfers to/from Core to/from MFW

- » If a participant wishes to move funds from the Core to the MFW (or vice versa),
 - You are subject to the interfund transfer limit (2 per month; after that, you can only move to the G Fund)
 - You are subject to the trade fee of \$28.75
 - Once money is in MFW, if you wish to move it back to Core funds, you can decide which Core funds the money is deposited in

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When Money is Withdrawn From the TSP

- » If a participant wishes to withdraw funds from the TSP account, they can do one of the following:
 - If you DO have enough in your core funds to cover the desired withdrawal amount, you can withdrawal directly from your core funds, or
 - If you DO NOT have enough in your core funds to cover the desired withdrawal amount, you must transfer money from the MFW funds back to the core funds and then withdraw the funds

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Involuntary Withdrawal Actions

- » If the TSP is required to distribute money (court order, RMDs, IRS liens), this is an involuntary action
 - If there is enough in the Core funds, the TSP pays from Core
 - If there is NOT enough in the Core funds, then:
 - If the MFW balance is at least \$25,000, TSP will move only the required amount (plus \$1,000) to the Core funds and then make the payout
 - If the MFW balance is less than \$25,000, TSP will move the entire MFW balance to the Core funds and then make the payout

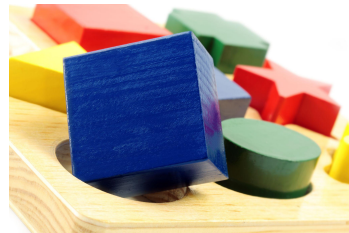
At Death

- » When a participant dies, the MFW funds are automatically closed and returned back to the Core funds
- » This is based on the investment allocation that the participant had in place at that time (for where all “new” money goes)
- » How does this affect the beneficiaries when the market is up or down?

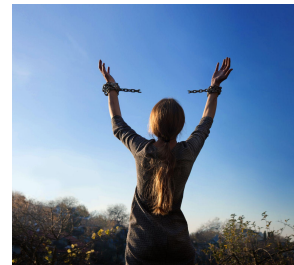
MY TAKE ON THIS OPTION

My Take on the “Why”

- » The TSP is trying desperately to fit a square peg in a round hole
- » What the TSP Board THINKS is the problem is...
“feds want mutual funds”
- » What the problem really is (that they’re not addressing)...
“feds want control of their money”



My Take on “More Freedom”



- » Ideally, we want your investments to operate independently of one another so they can be leveraged in different market conditions
 - In the private sector
 - In the TSP

My Take on the “More Choices”

- » Too many choices can be dangerous because more options can mean more complexity
- » These MFW investments are not as broad as the index funds you currently have in the Core funds, so there's inherent risk



My Take on “More Flexibility”



- » The TSP offering this MFW is not creating something magical (mutual funds have been around for many years)
- » Here's something we don't hear talked about all that often:
You probably shouldn't have ALL of your money in the TSP!

My Take on the “Higher Costs”

- » High fees in the absence of real value, are wasteful
- » Some perspective on cost
 - What does it cost you?

AND

 - What do you get in return?

**PRICE IS WHAT
YOU PAY
VALUE IS WHAT
YOU GET**
- Warren Buffett -

**WRAP-UP &
NEXT STEPS**

The TSP Mutual Fund Window

Wrap-Up

- » Consider all of your investment options before deciding to invest in the mutual fund window in TSP
- » Weigh the cost (versus value you get)
- » Regardless if you decide to do the MFW options, be sure to set up your new TSP login when you receive those instructions

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Get the Rest of the Story



- » Attend a workshop:
 - In-person training
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
- » See all the details at: [FedImpact.com/Attend](https://www.fedimpact.com/Attend)

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Stay tuned for benefits
and news updates



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