



## Optimizing Your TSP for 2024

### 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!

## Optimizing Your TSP for 2024

### Your ProFeds Presenter



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- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



#### Support Team

- » Standing by for your questions

## Optimizing Your TSP for 2024

# Optimizing Your TSP for 2024

**Highlighting the important changes for 2024 and how to leverage the TSP to your advantage**

## Agenda

- » **LIMITS:** New contribution amounts allowable by the IRS
- » **MATCH:** Ensure you're getting all of the free money provided by your agency
- » **FUNDS:** Review various fund choices for how to invest your money
- » **TAXES:** Explore tax diversification options in preparation for retirement

## What this webinar will NOT cover



## Contribution Limits to the TSP

### Contribution Limits for 2024

- » IRS sets the limits each year on how much can be contributed to the TSP
- » Limits\* have changed for 2024:
  - Regular contributions: \$23,000/year (\$884.62/pp)  
Open to all employees regardless of age
  - Catch-up contributions: extra \$7,500/year (\$288.46/pp)  
Open only to employees turning age 50 or older in 2024

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



## 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 \$100,000/yr
  - They plan to contribute the full amount allowable this year (\$23,000) to the TSP (23% of their salary)
  - Will they get the full 5% match? It depends!

Too much, too early	Scenario #1	Scenario #2
<b>Annual income</b>	\$100,000	\$100,000
<b>Pay period contribution</b>	\$884.62/pp	\$1,150.00/pp
<b>Annual employee contribution</b>	\$23,000	\$23,000 (TSP rejects after pp20)
<b>Automatic 1%</b>	\$1,000	\$1,000
<b>Matched 4%</b>	<b>\$4,000</b>	<b>\$3,077</b>

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

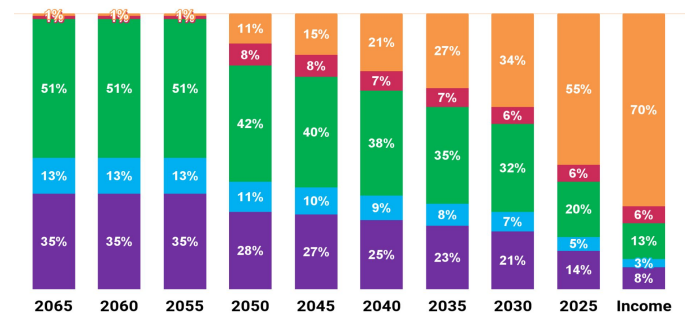


**TSP Funds**

Fund	Description	Index
<b>G</b>	Government securities	No index (interest rate based)
<b>F</b>	Mix of government & corporate bonds	Barclays Capital U.S. Aggregate Bond
<b>C</b>	Large-cap U.S. stocks	Standard & Poor's 500
<b>S</b>	Small & mid-cap U.S. stocks	Dow Jones U.S. Completion Total Stock Market Index
<b>I</b>	Mostly large-cap foreign stocks	Morgan Stanley Capital Int'l EAFE (Europe, Australasia, Far East)

**G F C S I**

**10 TSP Lifecycle Funds\***



\*Allocations shown as of 1/2023. Each quarter, fund reallocates to become more conservative.

### Mutual Fund Window in the TSP

- » TSP now offers an option to invest in mutual funds (must first invest in Core funds then transfer into MFW)
- » The minimum initial transfer is \$10,000 and cannot exceed 25% of your total TSP value (at time of transfer)

### Fund Choices in the TSP

- » For your existing money in TSP (prior contributions)
  - You may choose to be invested in any of the regular funds (G,F,C,S & I), Lifecycle Funds, or the Mutual Fund Window in any combination you wish
  - Up to TWO times per month you can:
    - Change how your existing money is invested (called an “interfund transfer”)
    - If you exhaust your two transfers, you are only permitted to change to the G Fund for the remainder of the month

### Fund Choices in the TSP

- » For your new money in TSP (future contributions)
  - You may choose to be invested in any of the regular funds (G,F,C,S & I) or Lifecycle Funds in any combination you wish
  - Throughout the year you can:
    - Change the amount of your new contributions (\$ or %)
    - Change the funds that your new money will be invested in (regular funds or 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

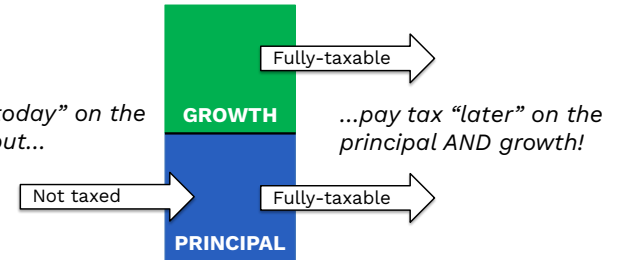


### Tax-Advantaged Options in TSP (TRADITIONAL)

When \$\$\$ goes in

When \$\$\$ comes out

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

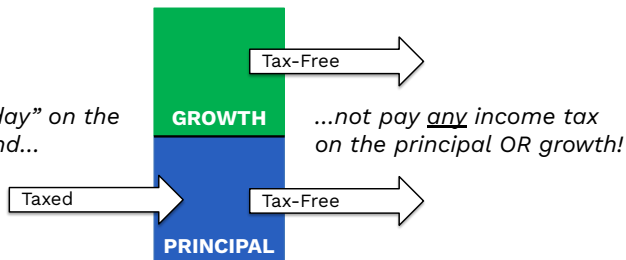


### Tax-Advantaged Options in TSP (ROTH)

When \$\$\$ goes in

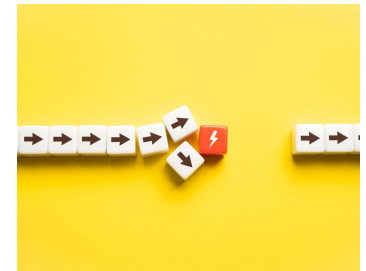
When \$\$\$ comes out

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 2024

### Timeline for Making Changes

- » Considering making changes to your TSP for 2024?
  - Login to TSP.gov (or your agency's system)
  - Make changes effective in the last pay period of 2023, so the first payday of 2024 (January 4, 2024) includes the new contribution amount



### Timeline for Making Changes

- » Method #1: Set change “effective date”
  - Login before December 17 to TSP.gov to make changes to your contribution amount
  - Make “effective date” December 17, 2023
- » Method #2: Wait to make changes
  - Login during last pay period (December 3-16) to TSP.gov to make changes to your contribution amount
  - Changes become effective the “next” pay period



## 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!
- » TIP: Even if you THINK you have a beneficiary designated, login to double check!

### 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?!*

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

**Q:** *Is there an advantage to contributing a certain dollar amount instead of a percentage of my salary?*

**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 \$23,000 (or \$30,500), 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 \$23,000/year (or \$30,500/year) into the TSP regardless when in the year you retire (as long as you made at least that much in that year).

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

**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). “Higher earners” are disqualified from contributing to a Roth IRA (but this has no effect on TSP)!

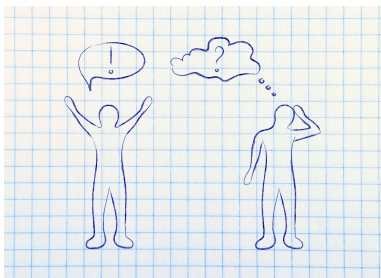
Fully disqualified for Roth IRA contributions:

- Individuals with a MAGI of \$160,000+
- Couples with a MAGI of \$240,000+

**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 inside the TSP. You can only do this in a private sector account through a Roth conversion strategy. Get help for this!

#### Optimizing Your TSP for 2024



## Regret vs. Challenge

#### Optimizing Your TSP for 2024

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	At least 5%. Every. Single. Pay Period.
Too aggressive or too conservative	Keep your emotions out & align choices
Trying to time the market	Stop it! Slow and steady wins the race.
Not taking tax diversity seriously	Consider Traditional & Roth strategy.
Not seeking professional advice	Tip the odds in your favor – do it now!



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