


**TSP Required Minimum Distributions (RMDs)**



## TSP Required Minimum Distributions

### Welcome

- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
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- » Stay until the end!

## TSP Required Minimum Distributions

### Your ProFeds Presenter



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



#### Support Team

- » Standing by for your questions

## TSP Required Minimum Distributions

# TSP Required Minimum Distributions

**Discovering the real impact RMDs have on your TSP account value, taxes, other benefits, and your heirs**

## Agenda

- » **ISSUE:** IRS rules require participants to take distributions from tax-deferred accounts like the TSP
- » **EFFECT:** Higher taxable income in retirement affects your tax obligation and other benefits like Medicare
- » **LEGACY:** How RMDs work if you leave your TSP to someone else when you pass
- » **TIMELINE:** The time to solve or minimize the RMD problem (and what happens if you do nothing)

## What this webinar will NOT cover

How much of your  
TSP account is  
really yours?



## High-Level Overview of RMDs

- » You are not permitted to keep funds in tax-deferred retirement accounts (like Traditional TSP) indefinitely
- » The IRS requires individuals with these types of accounts to withdrawal at least a certain amount each year (so the government can collect their taxes)
  - Of course, you are allowed to take more just not less!
- » For most people, RMDs will begin around age 73

## TSP Required Minimum Distributions

### When Do RMDs Start?

- » For those turning age 72 in 2023 or later, your TSP RMD start age is 73 and you must take it by the later of:
  - April 1st of the year following the calendar year in which you reach age 73, or
  - April 1st of the year following the year you retire from government service
- » NOTE: If you wait until April 1st of the following year to take your first RMD, you'll have to also take that current year's RMD by December 31st (two RMDs in one tax year)

## TSP Required Minimum Distributions

### How is the RMD Calculated?

- » Generally, the RMD is based on two things:
  - your prior year's account balance (only the Traditional portion of your TSP is included in this calculation), and
  - your age as it relates to your life expectancy
- » The IRS calculates your life expectancy by using the "Uniform Lifetime Table" which ultimately yields a percentage of your account that you must take

## TSP Required Minimum Distributions

### IRS Required Minimum Distribution Calculations Showing percentage of your TSP you must take for a given year

Age	%	Age	%	Age	%	Age	%	Age	%
73	3.77%	81	5.15%	89	7.75%	97	12.82%	105	21.74%
74	3.92%	82	5.41%	90	8.20%	98	13.70%	106	23.26%
75	4.07%	83	5.65%	91	8.70%	99	14.71%	107	24.39%
76	4.22%	84	5.95%	92	9.26%	100	15.63%	108	25.64%
77	4.37%	85	6.25%	93	9.90%	101	16.67%	109	27.03%
78	4.55%	86	6.58%	94	10.53%	102	17.86%	110	28.57%
79	4.74%	87	6.94%	95	11.24%	103	19.23%	111	29.41%
80	4.95%	88	7.30%	96	11.90%	104	20.41%	and so on...	

## TSP Required Minimum Distributions

### How is the RMD Taxed?

- » The money you receive from taking an RMD is taxable as ordinary income and may:
  - cause you to move into a higher tax bracket
  - cause more of your Social Security income to be taxed
  - cause your Medicare premium to be higher

TSP Required Minimum Distributions

**Current Tax Brackets for 2024 (due in 2025)**

Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
<b>10%</b>	\$0 – \$11,600	\$0 – \$23,200	\$0 – \$11,600	\$0 – \$16,550
<b>12%</b>	\$11,601 – \$47,150	\$23,201 – \$94,300	\$11,601 – \$47,150	\$15,701 – \$63,100
<b>22%</b>	\$47,151 – \$100,525	\$94,301 – \$201,050	\$47,151 – \$100,525	\$59,851 – \$100,500
<b>24%</b>	\$100,526 – \$191,950	\$201,051 – \$383,900	\$100,526 – \$191,950	\$95,351 – \$191,950
<b>32%</b>	\$191,951 – \$243,725	\$383,901 – \$487,450	\$191,951 – \$243,725	\$182,101 – \$243,700
<b>35%</b>	\$243,726 – \$609,350	\$487,451 – \$731,200	\$243,725 – \$365,600	\$231,251 – \$609,350
<b>37%</b>	\$609,350+	\$731,200+	\$365,600+	\$609,350+

TSP Required Minimum Distributions

**The Effect RMDs Have on Social Security**

- » Your income and tax filing status determine whether (and how much) your Social Security benefits are taxed
- » Specifically, the IRS uses your “Provisional Income”:
  - Gross income (i.e. paycheck, pension, Trad TSP/IRA), plus
  - Tax-free interest you’ve earned, plus
  - 50% of your Social Security amount
- » If that provisional income level exceeds a certain level, some/more of your Social Security benefits will be taxed

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**Determining How Much of Your Social Security is Taxed**

Filing Status	Provisional Income Level	Taxation of Social Security Benefits
<b>Single/HOH</b>	\$0 – \$25,000	0%
	\$25,000 – \$34,000	Up to 50%
	\$44,000 +	Up to 85%
<b>Joint</b>	\$0 – \$32,000	0%
	\$32,000 – \$44,000	Up to 50%
	\$44,000 +	Up to 85%

TSP Required Minimum Distributions

**The Effect RMDs Have on Medicare Premiums**

- » Medicare Part B premiums are “means-tested” based on your “Modified Adjusted Gross Income”
  - The more income you have, the higher the premium
  - This includes income from accounts like the Traditional TSP
- » This premium increase is called the Income Related Monthly Adjustment Amount (IRMAA)
  - The actual premium you will pay will be based on your MAGI from 2 years prior (for 2024, that is your 2022 MAGI)

TSP Required Minimum Distributions

Your Income Determines Your Part B Medicare Premium

Medicare Part B Premium Table (2024)			
If your 2022 tax return was filed...			Your 2024 monthly premium is:
INDIVIDUAL	JOINT	MARRIED & SEPARATE	
\$103,000 or less	\$206,000 or less	\$103,000 or less	\$174.70
\$103,001 - \$129,000	\$206,001 - \$258,000	Not applicable	\$244.60
\$129,001 - \$161,000	\$258,001 - \$322,000	Not applicable	\$349.40
\$161,001 - \$193,000	\$322,001 - \$386,000	Not applicable	\$454.20
\$193,001 - \$500,000	\$386,001 - \$749,999	\$103,001 - \$397,000	\$559.00
\$500,000+	\$750,000+	\$397,000+	\$594.50

TSP Required Minimum Distributions

What if You Have Multiple TSP Accounts?

- » If you have multiple TSP accounts (federal and military), RMDs are required on each account
  - If you have separated/retired from the military, then you will have RMDs on that account even if you are still working as a federal employee
  - NOTE: Taking money from one TSP account does not satisfy the RMD on the other TSP account

TSP Required Minimum Distributions

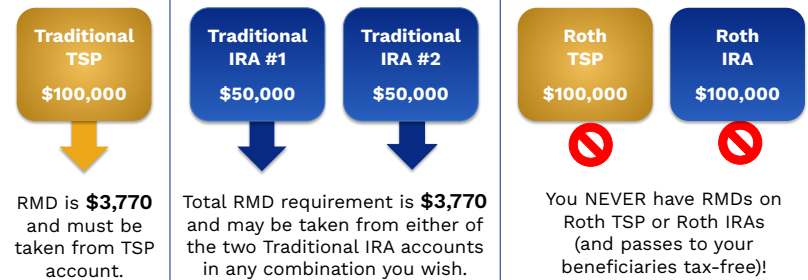
How are TSP RMDs Different Than for IRAs?

- » In private sector accounts (like Traditional IRAs), the IRS allows participants to calculate the total RMD for all of the accounts and then choose which account(s) to take it from
- » However, the IRS mandates that RMDs be calculated (and taken) separately from accounts like the TSP

TSP Required Minimum Distributions

Required Minimum Distributions (RMDs)

- » What has to come out from each account at age 73?



## TSP Required Minimum Distributions

### How Can Someone Avoid RMDs?

- » The only way to avoid having RMDs is to not have tax-deferred money like:
  - Traditional IRAs
  - Traditional TSP
  - Traditional 401(k)s
- » See webinar on TSP Roth Conversions on 3/21/24 called: “Tackling the Tax Train with the Roth Conversion Strategy”

## TSP Required Minimum Distributions

### What if You Do Not Need the Money?

- » You must still take the RMD (after all, that’s what the ‘R’ stands for)!
- » If you must take more than you need in a given year,
  - you will pay more in taxes, and
  - you will deplete your account faster
- » Being forced to take money at undesirable times in the market may cause your account to lose value faster (ideally, you want to “buy low / sell high”)

## TSP Required Minimum Distributions

### What if You Do Not Need the Money? (cont.)

- » Before you get any wild ideas:
  - No - you cannot rollover the amount of the RMD to another account (you have to receive it as income)
  - No - you cannot apply a prior year’s distribution to a future year’s RMD (RMDs must be taken each and every year)
  - Yes - the TSP knows if you’ve satisfied your RMD or not (and if you didn’t, they’ll push out a payment to you)

## TSP Required Minimum Distributions

### Do My Beneficiaries Also Have RMDs?

- » When you die and leave your TSP to your beneficiaries, they WILL have RMDs on the amount they inherit
  - The amount and timing of their RMD will be largely determined by the kind of beneficiary that they are (spouse, non-spouse, an entity, etc.)
- » The government wants their money – period.

## TSP Required Minimum Distributions

### Some Notables

- » Taking RMDs is non-negotiable if you have tax-deferred accounts
- » Your proper handling of these RMDs will help you to stay more in control of your tax liability
- » Understand how RMDs affect other benefits (that are seemingly unrelated)
- » If you have several years before you must begin RMDs, consider ways to reduce your tax-deferred accounts by using strategies like Roth conversions

## TSP Required Minimum Distributions



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L.B., Department of Defense



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### Handouts and Replay



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

## TSP Required Minimum Distributions

### Next Webinar



- » Next webinar topic!
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