



All Things Roth TSP for 2026

Welcome

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- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

All Things Roth TSP for 2026

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

All Things Roth TSP for 2026

**Your Guide to All Things
Roth TSP for 2026:
Your money going in, coming out—
and how to leverage both**

Agenda

- » **DECISIONS:** Striking the balance between Roth and Traditional
- » **CONTRIBUTIONS:** Rules on limits, funds, transferring money in, and agency matching
- » **CONVERSIONS:** Understand the new TSP Roth conversion rules for 2026
- » **WITHDRAWALS:** Prevent surprises with RMDs, taxes, and beneficiary rules

Background

- » In 1998, the “Roth IRA” was born
 - It provided a new option for retirement savings by offering tax-free withdrawals instead of upfront deductions
 - Contributions are made with after-tax dollars, but earnings and qualified withdrawals are tax-free
- » In 2006, the Roth feature was made available to 401(k) employer-sponsored plans
- » In 2012, the Roth feature was added to the TSP

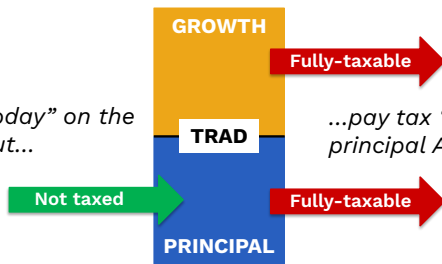
Tax-Advantaged Options in TSP (TRADITIONAL)

When \$\$\$ goes in

When \$\$\$ comes out

Save tax “today” on the principal, but...

...pay tax “later” on the principal AND growth!



The “growth” and “principal” proportions are for illustrative purposes only, and your performance will vary.

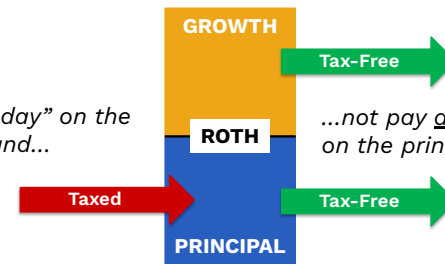
Tax-Advantaged Options in TSP (ROTH)

When \$\$\$ goes in

When \$\$\$ comes out

Pay tax “today” on the principal, and...

...not pay any income tax on the principal OR growth!



The “growth” and “principal” proportions are for illustrative purposes only, and your performance will vary.



Why Consider the Roth TSP

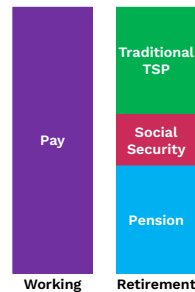
Tax Brackets

» Do you think tax brackets will change in/out of your favor in the future?

Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	\$0 – \$12,400	\$0 – \$24,800	\$0 – \$12,400	\$0 – \$17,700
12%	\$12,401 – \$50,400	\$24,801 – \$100,800	\$12,401 – \$50,400	\$17,701 – \$67,450
22%	\$50,401 – \$105,700	\$100,801 – \$211,400	\$50,401 – \$105,700	\$67,451 – \$105,700
24%	\$105,701 – \$201,775	\$211,401 – \$403,550	\$105,701 – \$201,775	\$105,701 – \$201,750
32%	\$201,776 – \$256,225	\$403,551 – \$512,450	\$201,776 – \$256,225	\$201,751 – \$256,200
35%	\$256,226 – \$640,600	\$512,451 – \$768,700	\$256,226 – \$384,350	\$256,201 – \$640,600
37%	\$640,600+	\$768,700+	\$384,350+	\$640,600+

Your Future Tax Obligations

- » Will your tax obligation be higher/lower in the future?
- » Most people think they will be in a lower tax bracket when they retire (so they think they'll owe less taxes in retirement)
- » The reality is that if you intend to maintain your standard of living, (but all of the assets you have to pull from are taxable), you will likely be in the same bracket!



Your Future Tax Choices

- » How do your tax choices look in the future?
- » Tax diversification:
 - Have different buckets of money to choose from that are taxed differently in retirement
 - Choose when and how to take money from each bucket based on tax environment
 - When taxes are low, take \$\$\$ from taxable account (Trad)
 - When taxes are high, take \$\$\$ from tax-free account (Roth)



Making Contributions to the Roth TSP

Eligibility to Contribute to the Roth TSP

- » **ELIGIBILITY:** An employee is eligible to contribute to the Roth TSP while they are employed (but not as a retiree)
- » **INCOME REQUIREMENTS:** There are no income limits (like there are for contributing to private sector Roth IRAs)

Contribution Limits to the Roth TSP

- » Regular contributions:
 - All employees may contribute up to \$24,500/yr
- » Catch-up contributions:
 - **Employees who will be age 50-59 or 64+ on 12/31/2026** may contribute an additional \$8,000/yr (total \$32,500/yr)
 - **Employees who will be age 60-63 on 12/31/2026** may contribute an additional \$11,250/yr (total \$35,750/yr)
(NOTE: Be sure to lower your contributions for the year you turn age 64+)

Catch-Up Contributions for “Higher Earners”

- » Prior to 2026
 - Federal employees could freely decide where their own contributions get deposited between the Traditional and Roth sides of their account (regardless of your income)
- » Starting in 2026
 - For employees who made less than \$150,000 in 2025, they can choose any mixture of Trad/Roth contributions
 - For employees who made \$150,000 or more in 2025, any catch-up contributions (anything over \$24,500) will automatically be deposited into the Roth side of the account



Agency's Matching Money

Agency Matching Funds

- » When an employee receives matching money from their agency, it will always be deposited into the Traditional side of their account (even if all of the employee's contributions are going to Roth)
- » The amount your agency contributes on your behalf does not count against your annual contribution limit
- » Your agency's "match" will be invested in the same funds that you have set for your own contributions



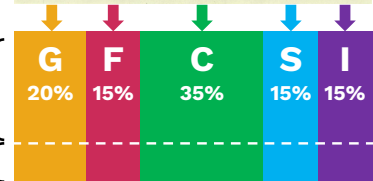
Choosing Funds & Tax Buckets

Let's invest \$1:

Two Decisions for NEW Money Going into TSP:



Fund(s)	G, F, C, S & I				
Tax bucket(s)	Trad	75%			
	Roth	25%			





Moving Money into the Roth TSP

Moving Outside Money into the Roth TSP

- » You are permitted to transfer money into the Roth TSP from other qualified sources and it does NOT count against your annual contribution limit:
 - Roth 401(k), Roth 403(b), Roth 457(b)
- » NOTE: You are NOT able to transfer in Roth IRA funds
- » Consider leaving money in these separate accounts so you can access it as needed because once you move it into the TSP, you have to wait until 59½ (or retire) to access it



Converting Trad TSP to Roth TSP

What is a Roth Conversion?

- » A “Roth Conversion” is a tax strategy to take money that is currently categorized as “Traditional” to make it “Roth”
- » To do a Roth Conversion, you must pay the tax now on the amount you are converting (which may temporarily put you into a higher tax bracket)
- » After the conversion takes place, that money will grow tax-free moving forward
- » A Roth Conversion can be part of a sophisticated tax strategy—typically, done with a financial professional

What Has Changed?

- » Prior to 2026
 - Employees were not permitted to do Roth Conversions INSIDE the TSP
 - To do so, they had to rollover their TSP to private account
- » Starting in 2026
 - The TSP will allow employees to do “in-plan” Roth Conversions to change how money you already have in the Traditional account will be taxed in the future
 - But this is more complicated than it appears...

Paying the Taxes on the Conversion

- » You will need to pay that taxes owed with money that is OUTSIDE the TSP—specifically, money you’ve already paid taxes on (like money in your checking account, NOT an account like an IRA)
- » The TSP will not withhold ANY taxes from the conversion, so you are 100% responsible for paying that to the IRS
- » The income you claim during a Roth Conversion may later affect your Medicare Part B premiums if you are 63+

The 5-Year Rule for Roth Conversions

- » Every time you do a Roth Conversion inside the TSP, you start a new 5-year clock
- » The clock starts on January 1st of the year in which you did the conversion (even if you did it late in the year)
- » If you make a withdrawal of converted money within 5 years of the conversion, you must pay a 10% early withdrawal penalty to the IRS (some exceptions apply)
- » This rule only applies to money you converted (not the growth on that money)



How Roth TSP is Paid to You

Choosing How to Take TSP Money in Retirement

- » When it comes time to take money out of the TSP, you have a choice of how you wish to take your withdrawal:
 - From Traditional TSP
 - From Roth TSP
 - From a combination of Traditional and Roth TSP
- » You can take the money in cash, or transfer to a private account
 - NOTE: If you transfer your Roth TSP to a Roth IRA, you cannot put it back into the TSP

Receiving Roth TSP Money in Retirement

- » The whole purpose of the Roth TSP (or any other Roth-styled account) is to receive money in retirement and not have to pay tax on it when you receive it
- » The IRS has rules that must be met to allow the money to come out to you tax-free
- » The Traditional TSP has a special “age 55” rule which allow employees to access funds prior to 59½ and avoid IRS “early withdrawal” penalties, but these do NOT apply to withdrawals from the Roth TSP!

The 5-Year Rule for Roth Earnings (the growth)

- » Roth earnings aren’t taxed if the distribution is “qualified”
- » Roth earnings become “qualified” and can be withdrawn tax-free when they meet both IRS requirements:
 - 5 years have passed since January 1st of the calendar year in which you made your first Roth TSP contribution
 - You are age 59½, have a permanent disability, or are deceased
- » If earnings don’t meet both requirements, then you’ll pay income tax (on the growth) when you withdraw them

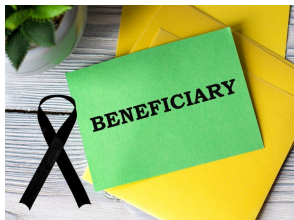
Money You Receive from:	How to NOT Pay Tax on the Growth
	You are at least age 59 ½ when you receive the money, <u>and</u> you meet the respective 5-year rule :
Roth TSP (money you directly contributed)	5-Year: 5 years have passed since Jan 1st of the year you first contributed to the Roth TSP
Roth TSP Conversion (money that was Trad TSP that you chose to convert to Roth TSP)	5-Year: 5 years have passed since Jan 1st of the year you converted Trad TSP money to the Roth TSP (each conversion has its own 5-year clock)
Roth IRA (money you transferred from Roth TSP to a private Roth IRA)	5-Year: 5 years have passed since Jan 1st of the year you first contributed to ANY Roth IRA
Roth IRA Conversion (money that was Trad TSP that you transferred to a private Trad IRA and then converted to Roth IRA)	5-Year: 5 years have passed since Jan 1st of the year you converted Trad IRA money to Roth IRA (each conversion has its own 5-year clock)



Required Minimum Distributions

Required Minimum Distributions (RMDs)

- » Starting at age 73+, the IRS requires participants to begin withdrawing a percentage of certain types accounts
 - RMDs ARE required on the Traditional TSP & Traditional IRAs
 - RMDs ARE NOT required on Roth TSP & Roth IRAs
- » Not having RMDs on Roth-styled accounts allows your money to continue to grow until you need it



How Roth TSP is Paid to Your Survivors

Leaving Your Roth TSP to Your Beneficiaries

- » Any money you have in the Roth TSP when you pass away is paid to your beneficiaries tax-free (this includes the principal and the growth until the last dollar is taken)
 - Someone other than your spouse
 - They must move money out of the TSP and must receive all of the money within 10 years of your passing
 - Your spouse
 - They may either leave the money in the TSP or move it to a private Roth IRA account (NOTE: they do not have the same 10-year requirement as a non-spouse beneficiary)



The Guarantee

The ONLY Guarantee from the IRS

- » Whether you choose to invest in the Traditional TSP or the Roth TSP, you are guaranteed to pay tax on the principal (the amount YOU put in)

The REAL question is:

How do you want the GROWTH taxed when the money eventually comes out?

WRAP-UP & NEXT STEPS

Wrap-Up

- » The Roth TSP is a vehicle that can help an employee create tax-free income for the future
- » Taxes are a very real concern for retirees and deserve your attention long before you ever retire
- » Seeking help from a financial professional to discuss the tax implications and bigger financial picture will ensure you've given proper consideration on tax issues
- » You deserve to give sincere thought to your future tax situation (avoiding it will only make it worse)

All Things Roth TSP for 2026



DISCOVER HOW TO BE THE HERO IN YOUR OWN RETIREMENT STORY



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 - In-person training
 - No cost to attend
 - Covers all of the federal benefit topics and decisions to be made
 - One-on-one help available

- » See all the details at:
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Handouts and Replay



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

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Next Webinar



- » Next webinar topic!
 - **Retiring Under the FERS MRA+10 Rules**
What you gain, what you lose, and what you'll never get back

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