

WEBINAR: Feb. 28, 2017, 2 to 3 p.m. EST

TSP Under the Blended Retirement System

Presenter: Stewart Kaplan, Thrift Savings Plan Training and Liaison Specialist



Disclaimer

The appearance of hyperlinks does not constitute endorsement by the Department of Defense of this website or the information, products or services contained therein. For other than authorized activities such as military exchanges and Morale, Welfare and Recreation sites, the Department of Defense does not exercise any editorial control over the information you may find at these locations. Such links are provided consistent with the stated purpose of this Department of Defense-sponsored webinar.

Agenda

- » What is the Thrift Savings Plan and what can it do for me?
- » How can I maximize the potential of the Thrift Savings Plan?
- » What are my options at separation?
- » How do I start?
 - Under legacy High-3 system now and choose to remain in legacy High-3 system
 - Under legacy High-3 system now and choose to opt into Blended Retirement System
 - Matching and Department of Defense automatic 1 percent under Blended Retirement System

Agenda (cont.)

- » How will those who enter the Uniformed Services on/after Jan. 1, 2018 start?
 - Auto-enrollment under Blended Retirement System
 - Auto-reenrollment under Blended Retirement System

What's the purpose of the Thrift Savings Plan?

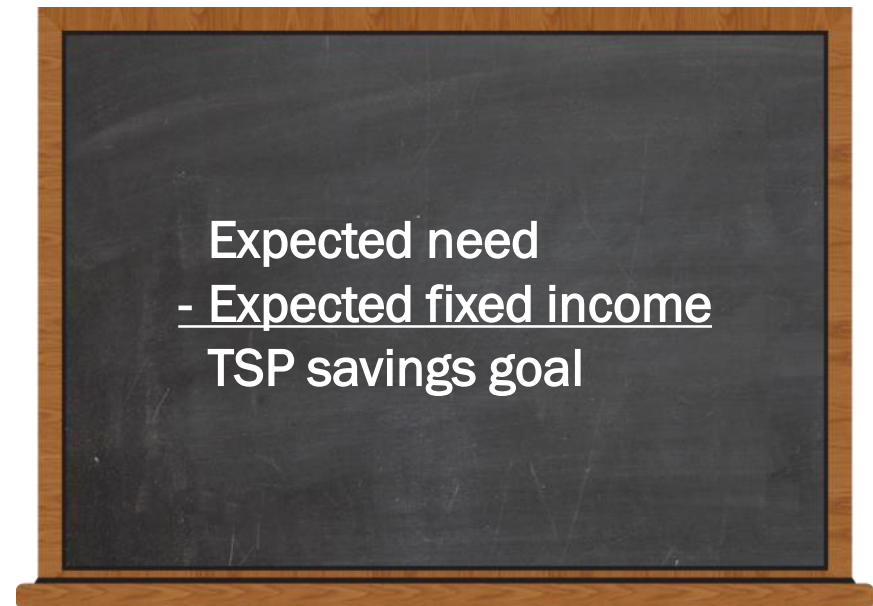
- » To supplement other sources of income after you stop working



Pension(s)

Social Security

Savings (TSP)



Expected need
- Expected fixed income
TSP savings goal

What's different about the Thrift Savings Plan?

» Defined benefit plans (military retirement)

- Retirement income based on a predetermined formula
- **Employer** makes investment decisions and bears the risks

» Defined contribution plans (Thrift Savings Plan)

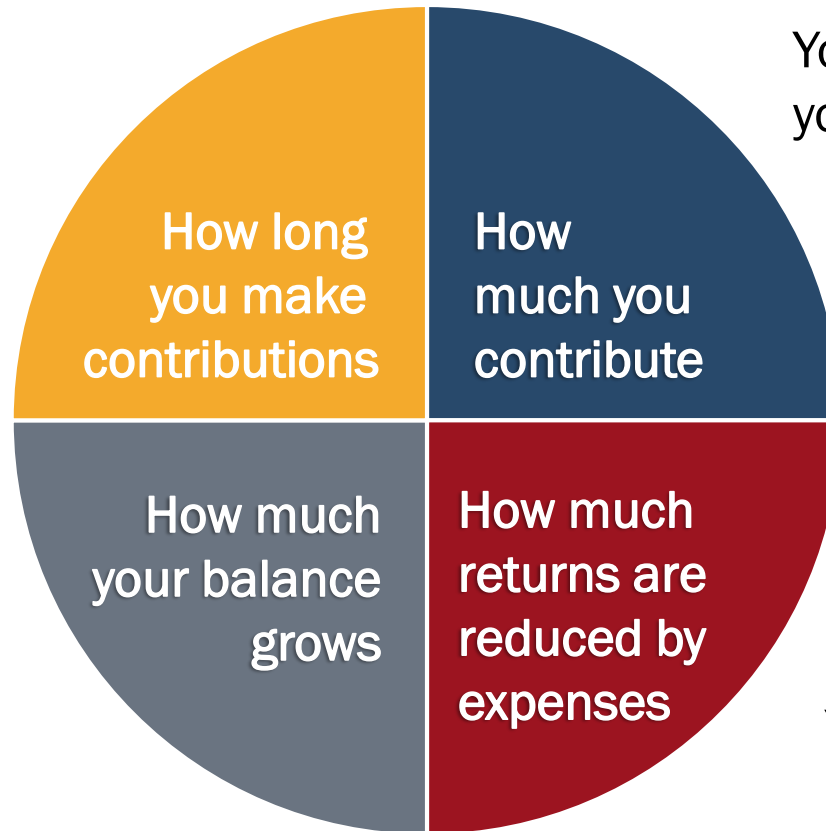
- Retirement income based on account balance at retirement
- **Employee** makes investment decisions and bears all the risks

It's all up to YOU!

What determines my Thrift Savings Plan balance?

You choose when you begin to contribute

You choose how much you will contribute



You choose an asset allocation strategy

You don't have control over the expenses

How do Thrift Savings Plans' net administrative expenses compare with other plans?

Thrift Savings Plan



\$0.38 per \$1,000¹

Average 401(k) Plan



\$4.30 per \$1,000²

(Approximately 12 times more than the Thrift Savings Plan)

- 1 Net administrative expenses charged to the Thrift Savings Plan participant across all funds, 2016
- 2 Median estimated 401(k) plan fees. Source: 11th Annual NEPC Defined Contribution Plan & Fee Survey Webinar, September 2016

“How Much Will My Savings Grow” calculator on TSP.gov

Planning & Tools
Learn more about designing your investment plan

Get the most out of your retirement savings by carefully developing a plan for your TSP account.

Investment Strategy
Review a list of questions you should ask yourself before you invest, and find out how to maximize your retirement savings using the benefits of compounding, tax deferral, and account consolidation.
[Learn more](#)

Retirement Planning Phases
It is never too early or too late to take advantage of what the TSP has to offer. Consider how to make your TSP savings work for you through contribution elections, catch-up contributions, and asset allocations throughout your career and as you near retirement.
[Learn more](#)

Calculators
Use these calculators to help you plan for a comfortable retirement:

- [How Much Should I Save? \(Benchmark Estimate\)](#)
- [How Much Will My Savings Grow?](#)
- [How Much Can I Contribute?](#)
- [Paycheck Estimator](#)
- [Contribution Comparison Calculator](#)
- [Retirement Income Calculator](#)
- [TSP Monthly Payment Calculator](#)
- [Estimate Loan Payments](#)

Living in Retirement
Consider how to adjust your asset allocation and determine an effective withdrawal strategy to meet your unique needs during retirement.
[Learn more](#)

How does the amount and length of contributions affect account growth?

How Much Will My Savings Grow?



Estimate the growth of your TSP account by calculating the growth of your future contributions and/or the growth of the money already in your account.

* indicates required fields

Retirement System:

* Select your retirement system: FERS CSRS Uniformed Services Beneficiary Participant

Continue ▶

What are the contribution sources and limits?

» Participant Contributions

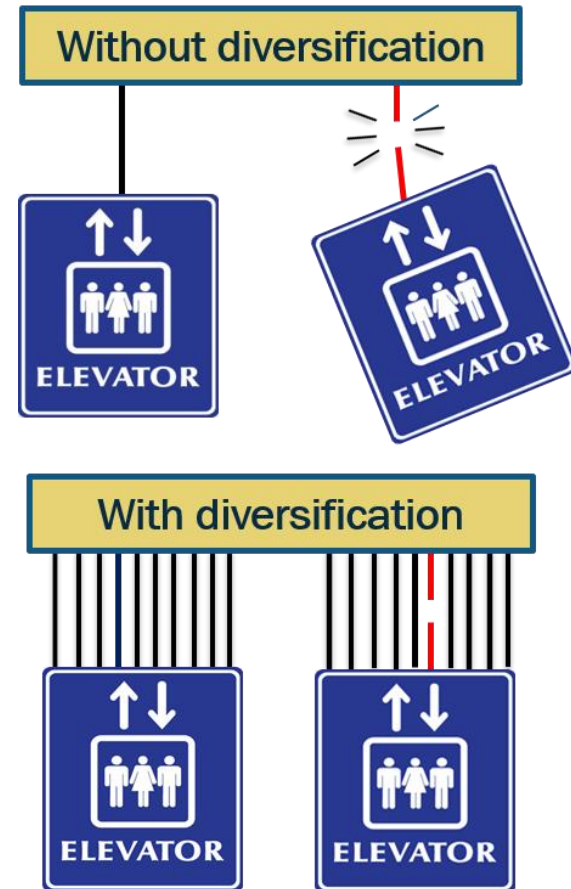
- Regular (2017 limit = \$18,000*)
 - Traditional and Roth
 - *Annual additions, §415 (c), limit (\$54,000 for 2017)
 - Contributions deducted from Combat Zone Tax Exclusion pay are subject to §415 (c) limits but not §402 (g)
- Catch-Up* (2017 limit = \$6,000)
 - Traditional and Roth
 - *Participants turning age 50 or older in the calendar year may make additional contributions to the Thrift Savings Plan

» Department of Defense Contributions (under Blended Retirement System after January 2018)

- After 60 days: Department of Defense automatic 1 percent
 - Traditional only
 - Service required for vesting = two years
- After two years: Department of Defense Matching
 - Traditional only
 - 100 percent of the first 3 percent of basic pay contributed and 50 percent of the next 2 percent of basic pay contributed
 - No vesting requirement
 - Maximum match = 4 percent

How does diversification benefit my Thrift Savings Plan account?

- » Diversification reduces risk by spreading money among different investments.
- » Factors that may cause some assets to perform well may cause others to perform poorly and may have no affect on others.
- » Diversification won't prevent loss but it will reduce the volatility of price movements.



How does the Thrift Savings Plan diversify?

- » The Thrift Savings Plan Funds include four index investment funds and one Government Security Fund.
- » Index investment funds are designed to mirror (track) a specified basket of underlying investments.
- » Investing in index funds on a “buy and hold” basis is a passive strategy that doesn’t involve stock picking or attempting to “time the market.”

How does the Thrift Savings Plan diversify? (cont.)

Standard and Poor's 500 index stocks categorized by sectors and industries. Size represents market cap.* (Feb 1, 2017)



Why use a passive investing strategy?

- » Efficient Market Theory: “Nobody knows more than the market.”
 - A stock’s current price accurately reflects everything investors know about it; therefore it's not possible for an individual or institutional investor to outperform the market as a whole.
 - Professional investors do about 90 percent of all stock market trading; therefore they cannot “beat the market” because they are the market.
- » 2015 SPIVA (Standard & Poor’s Indices Versus Active) U.S. Scorecard:
<http://us.spindices.com/resource-center/thought-leadership/research/>
 - All four Standard & Poor’s stock indexes for large, mid and small cap companies outperformed most U.S. stock funds for the last one-, three-, five-, and 10-year periods.

What are the Thrift Savings Plan investment options?

» G

- Invested in short-term U.S. Treasury securities specially issued to the Thrift Savings Plan
- No loss of principal
- Very little volatility
- No credit risk
- Earnings: interest income on the securities

» F

- Matches performance of Barclays Capital U.S. Aggregate Bond Index
- Low credit risk
- Market risk
- Earnings: interest income on the securities and gains (or losses) in the value of the securities

What are the Thrift Savings Plan investment options? (cont.)

» C

- Matches performance of Standard & Poor's 500 Index
- Market risk
- Earnings: gains (or losses) in the prices of stocks and dividend income

» S

- Matches performance of Dow Jones U.S. Completion Total Stock Market Index
- Market risk
- Earnings: gains (or losses) in the prices of stocks and dividend income

What are the Thrift Savings Plan investment options? (cont.)



- Matches performance of the Morgan Stanley Capital International Europe, Australasia and Far East Index
- Market risk
- Earnings: gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar and dividend income

Find more detailed information on TSP.gov in “Booklet: TSP Fund Information Sheets (April 2016)”

How can I change my investment mix?

» Contribution Allocation

- Tells the Thrift Savings Plan how participant wants new money going into their account to be invested among the Thrift Savings Plan investment fund options
- Includes employee contributions, agency contributions, Thrift Savings Plan loan payments, and any transferred or rollover funds

» Interfund Transfer

- Redistributes fund balances among existing Thrift Savings Plan investment fund options
- Does not affect the investment of future deposits into their Thrift Savings Plan account

How can I change my investment mix? (cont.)

- » May be done via Thrift Savings Plan ThriftLine or TSP.gov.
- » Generally effective as of close of business each day (based on noon ET cutoff).
- » Participant will receive confirmation via website, email or mail.

What are my options upon separation?

Leave your money in the plan and let it continue to grow

Transfer eligible money into your account from other retirement plans you may participate in after your military career

Transfer any or all of your Thrift Savings Plan money into another retirement plan and/or Individual Retirement Account

If you choose to take income from your account prior to age 59½, you may be subject to an early withdrawal penalty

How can I get the maximum benefit from the Thrift Savings Plan?

- » Don't attempt to "time the market."
 - Studies show no evidence of successful outcomes using "market timing" strategies.
 - Attempting to time the market increases the risk of not being invested when the market goes up significantly.
- » Use a long-term strategy.
 - Choose an asset allocation that corresponds to your time horizon.
 - Rebalance and reallocate accordingly, or
 - Choose a Lifecycle Fund.

How can I get the maximum benefit from the Thrift Savings Plan? (cont.)

- » Avoid using the Thrift Savings Plan as a solution to meet short-term financial needs.
 - Carefully weigh the alternatives before taking out a Thrift Savings Plan Loan.
 - Use a Financial Hardship Withdrawal only as a last resort.

How do I start?

Under legacy High-3 system now and choose to remain in legacy High-3 system

1. » myPay

- Make contribution election:
 - Will not receive matching or automatic 1 percent contributions

2. » myPay

- Choose a tax treatment
 - Traditional (tax-deferred)
 - Contributions deducted from pay before federal taxes are withheld
 - Federal taxes are “deferred”
 - Taxes must be paid on everything when withdrawn
 - Roth (after-tax)
 - Contributions deducted from pay after federal taxes are withheld
 - Federal taxes no longer apply to contributions
 - Earnings may be withdrawn tax-free once they are “qualified”

How do I start? (cont.)

Under legacy High-3 system now and choose to remain in legacy High-3 system

3. » myPay

- Decide how much:
 - Any percentage of basic pay
 - Plus any percentage from incentive, special and bonus pay*
- *Must also contribute at least 1 percent from basic pay

4. » myPay

- Enter birthdate and address:
 - Must update address each time you move
 - Note: This is not the same as your Defense Finance and Accounting Service correspondence address

How do I start? (cont.)

Under legacy High-3 system now and choose to remain in legacy High-3 system

5. » U.S. Mail

- Receive correspondence from the Thrift Savings Plan:
 - Welcome letter
 - Account number
 - Temporary password needed to access account on TSP.gov

6. » TSP.gov

- Establish account access
- Make a contribution allocation to allocate future contributions
- Contribution allocation is automatically defaulted to Thrift Savings Plan G Fund
- May change contribution allocation at any time
- Make an “interfund transfer” to change investment of money already in account

How do I start?

Under legacy High-3 system now and choose to opt in to Blended Retirement System

1. » myPay

- Opt in on or after Jan. 1, 2018: Decision is irrevocable
 - Army, Navy and Air Force: Log onto myPay on/after Jan. 1, 2018 to make contribution election
 - USMC: Log onto Marine Online to make election
 - Will receive matching and automatic 1 percent contributions

How do I start? (cont.)

Under legacy High-3 system now and choose to opt in to Blended Retirement System

2. » myPay

- Choose a tax treatment
 - Traditional (tax-deferred): Automatic default
 - Contributions deducted from pay before federal taxes are withheld
 - Federal taxes are “deferred”
 - Taxes must be paid on everything when withdrawn
 - Roth (after-tax)
 - Contributions deducted from pay after federal taxes are withheld
 - Federal taxes no longer apply to contributions
 - Earnings may be withdrawn tax-free once they are “qualified”

How do I start? (cont.)

Under legacy High-3 system now and choose to opt in to Blended Retirement System

3. » myPay

- Decide how much:
 - Any percentage of basic pay
 - Plus any percentage from incentive, special and bonus pay*
- *Must also contribute at least 1 percent from basic pay

4. » myPay

- Birthdate and address based on personnel data:
 - Must update address each time you move
 - Note: This is not the same as your Defense Finance and Accounting Service correspondence address

How do I start? (cont.)

Under legacy High-3 system now and choose to opt in to Blended Retirement System

5. » U.S. Mail

- Receive correspondence from the Thrift Savings Plan:
 - Welcome letter
 - Account number
 - Temporary password needed to access account on TSP.gov

6. » TSP.gov

- Review contribution allocation (where future contributions are invested)
- Any existing contribution allocation continues
- If no current contribution allocation exists, default will be to age-appropriate L-Fund
- May change contribution allocation at any time
- Make an “interfund transfer” to change investment of money already in account

Matching and Department of Defense automatic 1 percent under Blended Retirement System

- » Members who choose to opt in to Blended Retirement System:
 - Will receive matching and Department of Defense automatic contributions beginning with first pay period after they opt in during 2018
 - The Department of Defense matches 100 percent of the first 3 percent of basic pay contributed and 50 percent of the next 2 percent of basic pay contributed (no vesting rule)
 - The Department of Defense automatically contributes an amount equal to 1 percent of the member's basic pay regardless of the amount of member's contribution (will be immediately vested)
 - Will not receive retroactive matching and Department of Defense automatic contributions for contributions they made prior to opt in date

Matching and Department of Defense automatic 1 percent under Blended Retirement System (cont.)

- » Department of Defense matching and automatic contributions:
 - Are always tax-deferred (traditional)
 - Are allocated according to the contribution allocation chosen by the member (or the default L-Fund if the member does not change it) and apply to entire contribution (both member and Department of Defense contributions)

How will those who enter the Uniformed Services on/after Jan. 1, 2018 start?

1. » myPay

- Enrollment is automatic:
 - Defaulted to 3 percent of Basic Pay
 - Will receive automatic 1 percent after 60 days (2 years vesting) and matching after 2 years + 1 day (no vesting rule)

How will those who enter the Uniformed Services on/after Jan. 1, 2018 start?

2. » myPay

- Choose a tax treatment
 - Traditional (tax-deferred): Automatic default
 - Contributions deducted from pay before federal taxes are withheld
 - Federal taxes are “deferred”
 - Taxes must be paid on everything when withdrawn
 - Roth (after-tax)
 - Contributions deducted from pay after federal taxes are withheld
 - Federal taxes no longer apply to contributions
 - Earnings may be withdrawn tax-free once they are “qualified”

How do I start? (cont.)

Under legacy High-3 system now and choose to opt in to Blended Retirement System

3. » myPay

- Decide how much:
 - Percentage of basic pay
 - Plus a percentage from incentive, special and bonus pay*
- *Must also contribute at least 1 percent from basic pay

4. » myPay

- Birthdate and address based on personnel data:
 - Must update address each time you move
 - Note: This is not the same as your Defense Finance and Accounting Service correspondence address

How do I start? (cont.)

Under legacy High-3 system now and choose to opt in to Blended Retirement System

5. » U.S. Mail

- Receive correspondence from the Thrift Savings Plan:
 - Welcome letter
 - Account number
 - Temporary password needed to access account on TSP.gov

6. » TSP.gov

- Contribution allocation (where future contributions are invested) is defaulted to age-appropriate L-Fund
- May change contribution allocation at any time
- Make an “interfund transfer” to change investment of money already in account

Auto-enrollment under Blended Retirement System

- » Only applies to members with DIEMS on or after Jan. 1, 2018; These members:
 - Will be defaulted to contribute 3 percent of their base pay to the Thrift Savings Plan and those contributions will be tax-deferred (traditional)
 - Will have their contribution allocation defaulted to the age-appropriate L-Fund
 - May receive a refund of their contributions plus any earnings if requested within 90 days via TSP-25 that will be automatically mailed to the participant
 - If member makes a change to the default contribution election (amount or tax character) and requests a refund, the amount will be limited to contributions made prior to that election

Auto-reenrollment under Blended Retirement System

- » Only applies to members with Date of Initial Entry to Military Service on or after Jan. 1, 2018 – these members:
 - Will be auto-reenrolled at the same defaults as when auto-enrolled if they have terminated their contributions as of Dec. 31 of any year
 - Will not be eligible for any refund of auto-reenrolled contributions

Questions?



**Thank you for joining
us today.**

For more information, log on
to www.MilitaryOneSource.mil
or call 800-342-9647.



Call. Click. Connect.