

The Thrift Savings Plan is a fantastic method to accumulate wealth while working for the US Government.

- The 5% match is only available to those in the Federal Employee Retirement System (FERS).
- There is no match to those in the Civil Service Retirement System (CSRS) at this time.
- Roth contributions are also not eligible for matching.
- Prior to age 50, contributions are capped at \$20,500 per year.
- At age 50, that cap is increased to \$27,000 per year, which includes a \$6,500 “catch up” provision.
- Distributions must commence no later than age 72 or severe IRS penalties will apply.
- Any growth in fund value while in the plan will be tax deferred.
- The plan is intended to supplement retirement income.

How To Leverage Your Thrift Savings Plan

What should an employee do if they need funds to purchase a home, encounter a hardship, or need access to cash?

You may be eligible for a loan against a Thrift Savings Plan at a relatively low interest rate. That being said, loans of this type should be well considered, and the loan will need to be paid back in full prior to leaving federal service, or there is the risk of this becoming a taxable event.

The IRS imposes penalties if an employee withdraws funds before 59 ½, as well as for those who don't take a distribution at 72.

What Funds are in the TSP, and how do they rate?

There are presently five distinct funds available within the Thrift Savings Plan.

They are listed below along with the 12-month returns for 2021:

Fund Name Fund Investment Focus 2021's 12-Month Return

G - Fund (Government-Backed Securities) 1.38%

F - Fund (Corporate Bonds) -1.46%

C - Fund (Standard and Poor's 500) 28.68%

S - Fund (Small Capitalization Stock) 12.45%

I - Fund (International Index of Developed Countries) 11.45%

Caution should be exercised before making any investment decision based upon limited data – while 2021 was a positive year for equities, [we suggest reviewing the ten year averages](#), as well.

That said, the funds above are listed in order of low tolerance for risk – The G-Fund – to highest risk – the I-Fund. While the higher risk might result in a higher return, as with any investment, you may lose money. Please be sure to consult with a Financial Advisor prior to making an investment decision.

The Roth Thrift Savings Plan

Just like with the Roth IRA in the private sector, the Roth TSP allows federal employees to contribute after-tax dollars to your retirement plan. The primary benefit to doing this, is that the contributor can then withdraw those funds tax-free so long as certain IRS requirements are met.

While the rules do not allow converting a traditional Thrift Savings Plan into a Roth TSP, government employees can make contributions to both types of plans, so long as the [contribution limits set by the Internal Revenue Code](#) (IRC) are not exceeded. That said, it is permissible to make contributions to a TSP up to the maximum, and then contribute funds to a private Roth IRA.

There are many factors to consider when choosing between the various funds, Roth vs Traditional TSP, as well as privately managed investment programs. Federal Employee Benefits Specialists encourages you to consult a qualified Financial Advisor prior to making your investment decisions.