A WORKSHOP FOR FEDERAL EMPLOYEES

Investing in the TSP

Making the most of your Thrift Savings Plan

CREATED BY

C|J CAMPBELL&associates
Financial Services Redefined

SOFA
THE SOCIETY FOR FINANCIAL AWARENESS
DC METROPOLITAN CHAPTER
www.dcsofa.org



What is the TSP?

A defined contribution plan that lets you invest in stocks, bonds, and the G Fund. Your retirement income depends on how much is contributed and earned during your working years.

01

Pre-tax contributions

Money is taken out before taxes are withheld, reducing your current taxable income.

02

Tax deferral

Taxes are deferred until you withdraw your money in retirement.

03

Part of your federal package

For FERS, an integral part alongside your Basic Annuity and Social Security. For CSRS, a supplement to the CSRS annuity.

Traditional & Roth TSP.

How each option treats your money — from paycheck to withdrawal. Source: tsp.gov

The Treatment of…	Traditional TSP	Roth TSP
Contributions	*Pre-tax*	*After-tax*
Your Paycheck	Taxes are deferred, so less money is taken out of your paycheck.	Taxes are paid up front, so more money comes out of your paycheck.
Transfers In	Allowed from eligible employer plans and traditional IRAs.	Allowed from Roth 401(k)s, 403(b)s, and 457(b)s.
Transfers Out	Allowed to eligible employer plans, traditional IRAs, and Roth IRAs.	Allowed to Roth 401(k)s, 403(b)s, 457(b)s, and Roth IRAs.
Withdrawals	Taxable when withdrawn.	Tax-free earnings if 5 years have passed since Jan 1 of your first Roth contribution AND you are 59½+, disabled, or deceased.

To clear up the confusion.

Two Roth accounts, two different rule sets.

	Roth TSP	Roth IRA	Notes
Required Minimum Distributions	No	No	Roth IRA has income phaseout
Income Limit for Contributions	No	Yes	Single/HoH AGI $153k–$168k · MFJ AGI $242k–$252k
Annual Maximum Contribution	**$24,500**	**$7,500**	
Catch-Up Provision (50+)	$8,000	$1,100	
Total Potential Annual	**$32,500**	**$8,600**	

NEW FOR 2026

TSP Roth in-plan conversions.

Convert Traditional TSP dollars to Roth inside the plan — available in My Account on Jan 28, 2026.

WHAT'S NEW

- Traditional → Roth conversion inside the TSP
- First conversion creates a Roth TSP balance if needed
- Irreversible once completed
- No stated age limit — working or retired

KEY RULES

- $500 minimum per conversion
- Up to 26 conversions per year, per account
- Conversion amount is taxable income that year
- Taxes must be paid from outside the TSP (no withholding)

Source: Thrift Savings Plan — Roth in-plan conversions (effective Jan 28, 2026). For education only; not tax advice.

The *5-Year Rule*

Two clocks live inside this rule. Contributions all share ONE account-level clock. Each conversion gets ITS OWN.

CLOCK 01

Contribution Clock

ONE CLOCK · ACCOUNT-LEVEL

Open the account, wait five years once — done.



All contributions, past and future, share the same single clock.

CLOCK 02

Conversion Clock

ONE CLOCK PER CONVERSION · TRANCHE-LEVEL

Each conversion restarts a fresh five-year wait.



A new conversion = a brand new 5-year wait.

THE KEY DIFFERENCE

Contributions share one account clock — set it once. Conversions each restart their own.

The Four-Year *Super Catch-Up*

Ages 60, 61, 62, and 63 unlock a higher catch-up limit — a narrow window worth knowing about.

STANDARD CATCH-UP

$8,000

Ages 50–59 and 64+

\+

$3,250

more per year

AGES 60, 61, 62 & 63

$11,250

Per year — for four years only

EFFECTIVE

Calendar years beginning after December 31, 2024

APPLICABLE PLANS

TSP, 401(k), 403(b)

WHO IT HELPS

Workers in their early 60s catching up

Catch-Up Contributions: *New Rules*

A new wrinkle for high-earning federal employees age 50+ — phased in starting 2026.

01

NEW RULE

Affects High Earners

Designed to limit pre-tax catch-up contributions for higher-income participants.

02

ELIGIBILITY

Age 50+ over $150K

Applies to those eligible for catch-up (age 50+ by year-end) earning more than $150,000.

03

INDEXED

Threshold Adjusts

The $150,000 “Roth catch-up wage threshold” adjusts annually by CPI.

04

TIMING

Implement Now

TSP implements the rule in 2026. Other 401(k) plans not required until 2027.

How the *$150K Threshold Is Measured*

Four specifics most people miss — and one carve-out for CSRS employees.

01 FICA Wages

The 2026 catch-up rule uses your $150,000 FICA wages from your 2025 W-2, Box 3.

02 Individuals Only

Income threshold applies to the individual — not combined spousal income.

03 Only Sponsoring Employer

Only wages from the employer sponsoring the 401(k) or TSP are counted.

04 CSRS Employees Excluded

CSRS (non-offset) employees aren't subject to this rule — they lack FICA income.

FUND LINEUP

What's inside the TSP funds.

Fund	What it holds
C Fund	U.S. stocks — large companies (S&P 500)
S Fund	U.S. stocks — small & mid-size companies
I Fund	International stocks
F Fund	U.S. bonds
G Fund	Government securities — savings-type account

The Lifecycle Funds

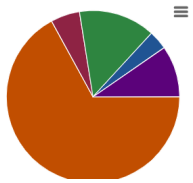
L Income · L 2030 · L 2035 · L 2040 · L 2045 · L 2050 · L 2055 · L 2060 · L 2065 · L 2070 · L 2075

Each blends the G, F, C, S, and I funds. The mix grows more conservative as your target date approaches.

How allocations shift across vintages.

Each L Fund holds a different stock-to-bond ratio. Younger vintages tilt aggressive; closer-to-retirement funds tilt conservative.

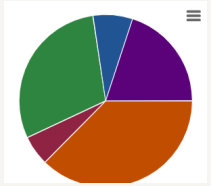
L Income



January 2026

G Fund	67.06%
F Fund	5.44%
C Fund	14.30%
S Fund	3.57%
I Fund	9.63%

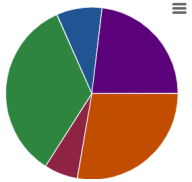
L 2030



January 2026

G Fund	37.38%
F Fund	5.62%
C Fund	29.64%
S Fund	7.41%
I Fund	19.95%

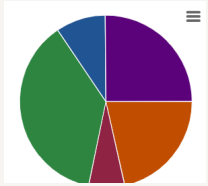
L 2035



January 2026

G Fund	27.74%
F Fund	6.32%
C Fund	34.29%
S Fund	8.57%
I Fund	23.08%

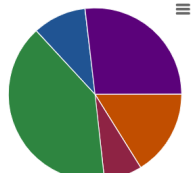
L 2040



January 2026

G Fund	21.47%
F Fund	6.78%
C Fund	37.31%
S Fund	9.33%
I Fund	25.11%

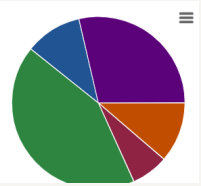
L 2045



January 2026

G Fund	16.16%
F Fund	7.09%
C Fund	39.91%
S Fund	9.98%
I Fund	26.86%

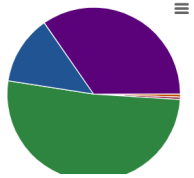
L 2050



January 2026

G Fund	11.33%
F Fund	6.92%
C Fund	42.51%
S Fund	10.63%
I Fund	28.61%

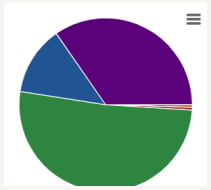
L 2055



January 2026

G Fund	0.56%
F Fund	0.44%
C Fund	51.48%
S Fund	12.87%
I Fund	34.65%

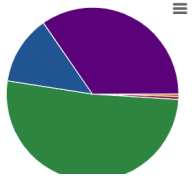
L 2060



January 2026

G Fund	0.50%
F Fund	0.50%
C Fund	51.48%
S Fund	12.87%
I Fund	34.65%

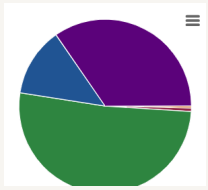
L 2065



January 2026

G Fund	0.44%
F Fund	0.56%
C Fund	51.48%
S Fund	12.87%
I Fund	34.65%

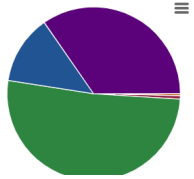
L 2070



January 2026

G Fund	0.36%
F Fund	0.64%
C Fund	51.48%
S Fund	12.87%
I Fund	34.65%

L 2075



January 2026

G Fund	0.36%
F Fund	0.64%
C Fund	51.48%
S Fund	12.87%
I Fund	34.65%

Recent investment returns for the TSP funds.

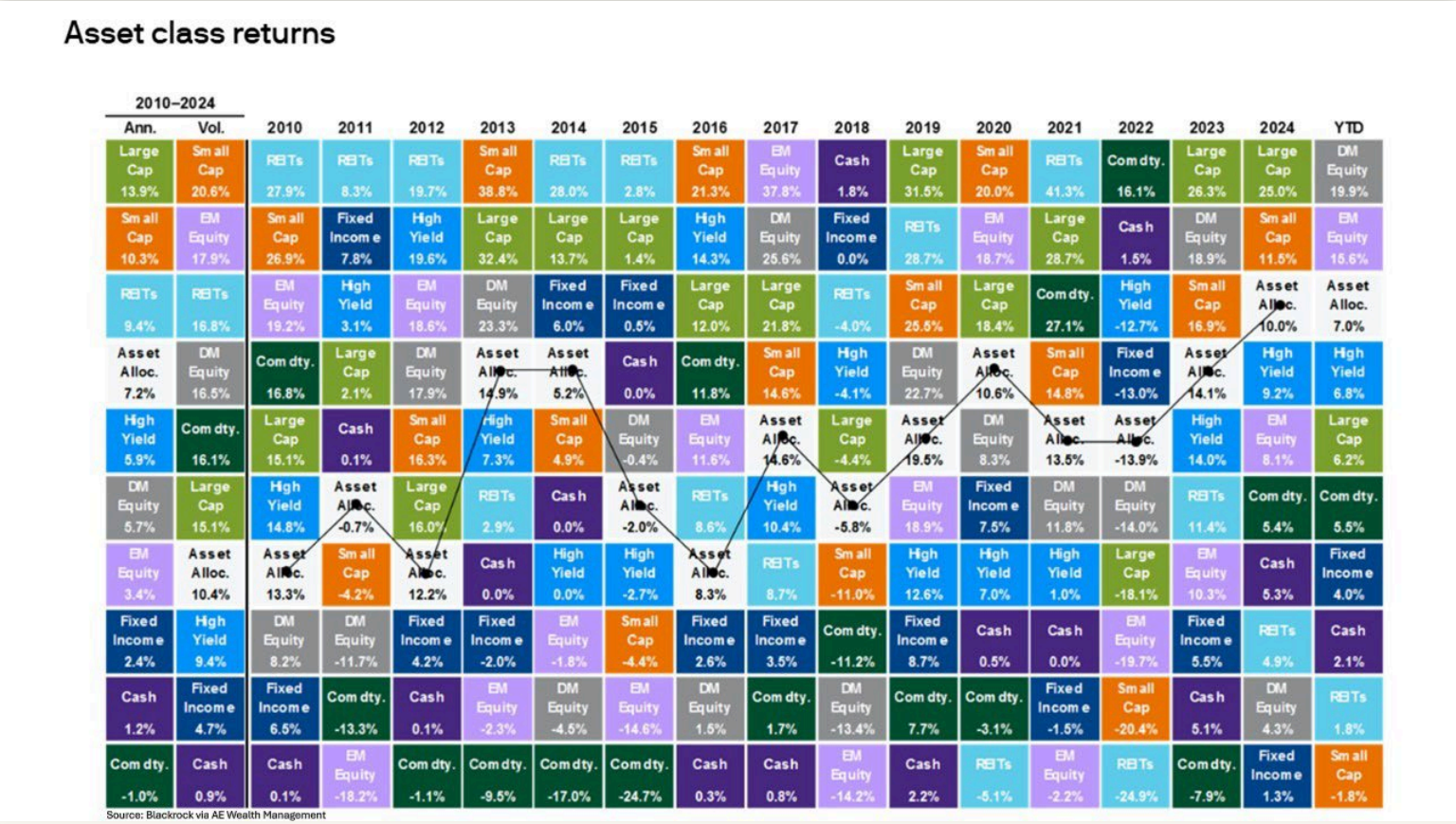
Rates of return as of November 30, 2025.

Period	G Fund	F Fund	C Fund	S Fund	I Fund
Inception date	4/1/1987	1/29/1988	1/29/1988	5/1/2001	5/1/2001
1 year	4.46%	5.65%	14.96%	4.08%	24.91%
3 year	4.35%	4.54%	20.52%	15.31%	15.91%
5 year	3.42%	-0.22%	15.24%	7.85%	9.75%
10 year	2.74%	2.10%	14.60%	10.66%	8.15%
Since inception	4.65%	5.32%	11.36%	9.47%	5.90%

Sub-heads: G = Bonds/US Govt short-term · F = Bonds/US intermediate · C = Large US (S&P 500) · S = Small/Mid US · I = International

Asset class returns.

Leadership rotates — the chart that wins one year rarely wins the next.



MARKET HISTORY

When the funds had down years.

Stock funds fall together; the G Fund stays positive.

Year	G Fund	F Fund	C Fund	S Fund	I Fund
2022	2.98%	-12.83%	-18.13%	-26.26%	-13.94%
2018	2.91%	0.15%	-4.41%	-9.26%	-13.43%
2008	3.75%	5.45%	-36.99%	-38.32%	-42.43%
2002	5.00%	10.27%	-22.05%	-18.14%	-15.98%
2001	5.39%	8.61%	-11.94%	—	—
2000	6.42%	11.67%	-9.14%	—	—

The G Fund never had a negative year — the trade-off is lower long-term growth.

Choosing your investment mix.

A few principles that guide how you split across the funds.

01 Risk and return

Higher potential return comes with higher short-term risk.

02 Buy and hold

Time in the market builds sustained results.

03 Diversify

Spread across F, C, S, I and G to reduce concentration.

04 Review and rebalance

Revisit your mix as your horizon and goals change.

Understanding the 4% withdrawal rule.

If an investor withdraws a fixed percentage of assets each year, what is the likelihood they will not outlive their savings?

Withdrawal Rate	100/0	75/25	50/50	25/75	0/100
3%	100%	100%	100%	100%	84%
4%	98%	100%	96%	80%	35%
5%	80%	82%	67%	31%	22%
6%	62%	60%	51%	22%	11%
7%	55%	45%	22%	7%	2%
8%	44%	35%	9%	0%	0%

Columns show stock/bond allocation. Higher withdrawal rates sharply reduce the odds your money lasts.

S T E P 0 1

Understanding your Target Retirement Income (TRI).

The income you'll need each year to maintain your lifestyle in retirement — gross income minus the deductions that go away when you stop working.

Component	Amount
GROSS INCOME	
Spouse A	$150,000
Spouse B	$100,000
Total Gross Income	**$250,000**
LESS — DEDUCTIONS	
TSP / 401(k) — Spouse A	**$27,000**
TSP / 401(k) — Spouse B	**$27,000**
Social Security	**$17,540**
Savings	$0
Mortgage	$0
Roth TSP / Roth IRA	$0
Non-Qualified IRA	$0
College	$0
Credit Cards	$0
Tax Equivalent	$0
Total Payments	**$71,540**

T A R G E T R E T I R E M E N T I N C O M E **$178,460**

S T E P 0 2

Understanding your Investment Income Need.

Subtract guaranteed income sources from your TRI. What remains is what your portfolio actually has to produce — not your full lifestyle figure.

Component	Amount
Target Retirement Income	**$178,460**
— Social Security	($52,775)
— Pension	($67,511)

I N V E S T M E N T I N C O M E N E E D E D

$58,174

STEP 03

Understanding your *Withdrawal Rate Pressure.*

Your investment need divided by your portfolio balance is your withdrawal rate. The lower the rate, the longer your money lasts.

WITHDRAWAL RATE FORMULA

Investment Need		Investment Balance		Withdrawal Rate
$58,174	÷	$1,600,000	=	3.64%

0% – 3%

SAFE

Portfolio is highly likely to outlast outlast you with growth potential. potential.

3% – 4.5%

SUSTAINABLE

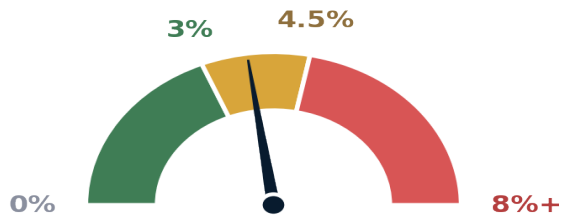
The classic 4% rule territory — — close watch required.

4.5%+

UNSUSTAINABLE

High risk of depletion within a typical retirement horizon.

WITHDRAWAL RATE PRESSURE



3.64%

AVG WITHDRAWAL RATE · SUSTAINABLE

ASSET ALLOCATION

Lifecycle fund allocations.

How the stock/bond mix shifts as the target date nears.

Lifecycle Fund	Stocks	Bonds
L-2050	**84%**	**16%**
L-2030	**64%**	**36%**
L-Income	**25%**	**75%**

Nearer-dated funds hold more stocks for growth; the L-Income fund holds mostly bonds and G to protect what you've built.

What happens when you start spending?

1993–2021: Bill, Jack, and Mary each start with $10,000 and withdraw enough to buy 2,000 stamps a year.

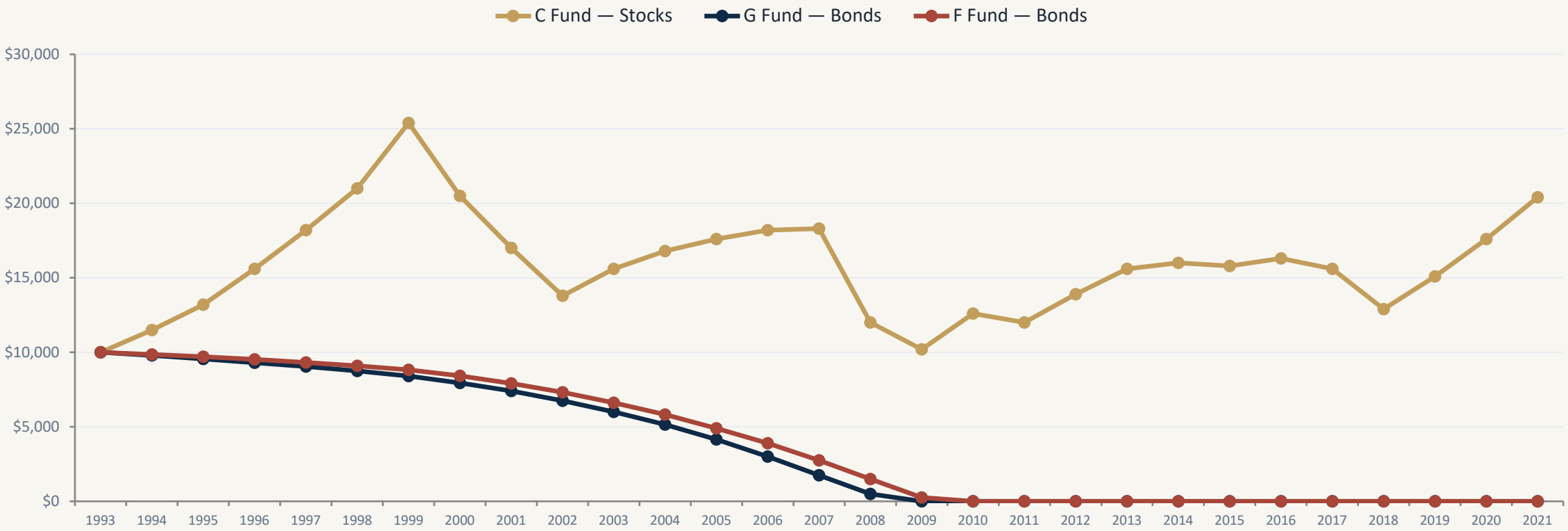


Illustration only. The stock investor's balance survives and grows; the bond investors deplete to zero.

When losses come matters more than how big they are.

Forward chronological sequence — $1,000,000 starting balance, S&P 500 returns, $79,713 annual withdrawal.

Year	BOY Balance	Return	Withdrawal	EOY Balance
1973	$1,000,000	**-14.67%**	**$79,713**	$785,281
1974	$785,281	**-26.31%**	**$79,713**	$519,934
1975	$519,934	37.14%	**$79,713**	$603,719
1976	$603,719	23.81%	**$79,713**	$648,772
1977	$648,772	**-7.19%**	**$79,713**	$528,144
1978	$528,144	6.52%	**$79,713**	$477,670
1979	$477,670	18.45%	**$79,713**	$471,380
1980	$471,380	32.45%	**$79,713**	$518,764
1981	$518,764	**-4.88%**	**$79,713**	$417,625
1982	$417,625	21.50%	**$79,713**	$410,564

Year	BOY Balance	Return	Withdrawal	EOY Balance
1983	$410,564	22.46%	**$79,713**	$405,161
1984	$405,161	6.22%	**$79,713**	$345,691
1985	$345,691	31.64%	**$79,713**	$350,134
1986	$350,134	18.62%	**$79,713**	$320,774
1987	$320,774	5.18%	**$79,713**	$253,548
1988	$253,548	16.61%	**$79,713**	$202,710
1989	$202,710	31.69%	**$79,713**	$161,975
1990	$161,975	**-3.10%**	**$79,713**	$79,713
1991	$79,713	30.47%	**$79,713**	$0
19 Yrs.	*Avg ROR*	**12.98%**	**$1,514,547**	**DEPLETED**

Result: portfolio depleted in year 19. Total withdrawn: $1,514,547.

Same returns. Reverse order. Different outcome.

Same returns, reverse chronological order — same $1,000,000 starting balance, same $79,713 annual withdrawal.

Year	BOY Balance	Return	Withdrawal	EOY Balance
1991	$1,000,000	30.47%	**$79,713**	$1,200,698
1990	$1,200,698	**-3.10%**	**$79,713**	$1,086,235
1989	$1,086,235	31.69%	**$79,713**	$1,325,489
1988	$1,325,489	16.61%	**$79,713**	$1,452,699
1987	$1,452,699	5.18%	**$79,713**	$1,444,107
1986	$1,444,107	18.62%	**$79,713**	$1,618,444
1985	$1,618,444	31.64%	**$79,713**	$2,028,663
1984	$2,028,663	6.22%	**$79,713**	$2,070,174
1983	$2,070,174	22.46%	**$79,713**	$2,437,519
1982	$2,437,519	21.50%	**$79,713**	$2,864,734

Year	BOY Balance	Return	Withdrawal	EOY Balance
1981	$2,864,734	**-4.88%**	**$79,713**	$2,649,112
1980	$2,649,112	32.45%	**$79,713**	$3,403,169
1979	$3,403,169	18.45%	**$79,713**	$3,939,634
1978	$3,939,634	6.52%	**$79,713**	$4,108,392
1977	$4,108,392	**-7.19%**	**$79,713**	$3,739,017
1976	$3,739,017	23.81%	**$79,713**	$4,530,585
1975	$4,530,585	37.14%	**$79,713**	$6,103,925
1974	$6,103,925	**-26.31%**	**$79,713**	$4,439,925
1973	$4,439,925	**-14.67%**	**$79,713**	$3,719,986
19 Yrs.	***Avg ROR***	**12.98%**	**$1,514,547**	**$3,719,986**

Result: $3,719,986 ending balance. Same total withdrawn: $1,514,547.

How a sequence-defense strategy responds.

Sequence Defense skips withdrawals after a market loss — same $1M, same returns, same $79,713 income target.

Year	BOY Balance	Return	Withdrawal	EOY Balance
1973	$1,000,000	**-14.67%**	**$79,713**	$785,281
1974	$785,281	**-26.31%**	*$0*	$578,673
1975	$578,673	37.14%	*$0*	$793,593
1976	$793,593	23.81%	**$79,713**	$883,855
1977	$883,855	**-7.19%**	**$79,713**	$746,324
1978	$746,324	6.52%	*$0*	$794,984
1979	$794,984	18.45%	**$79,713**	$847,239
1980	$847,239	32.45%	**$79,713**	$1,016,588
1981	$1,016,588	**-4.88%**	**$79,713**	$891,155
1982	$891,155	21.50%	*$0*	$1,082,754
1983	$1,082,754	22.46%	**$79,713**	$1,228,324
1984	$1,228,324	6.22%	**$79,713**	$1,220,054
1985	$1,220,054	31.64%	**$79,713**	$1,501,145
1986	$1,501,145	18.62%	**$79,713**	$1,686,103
1987	$1,686,103	5.18%	**$79,713**	$1,689,601
1988	$1,689,601	16.61%	**$79,713**	$1,877,290
1989	$1,877,290	31.69%	**$79,713**	$2,367,229
1990	$2,367,229	**-3.10%**	**$79,713**	$2,126,603
1991	$2,126,603	30.47%	*$0*	$2,892,002
19 Yrs.	***Avg ROR***	**12.98%**	**$1,115,982**	**$2,892,002**

$398,565 funded from Sequence Defense Resources. Total income delivered: $1,514,547.

REAL-WORLD EXAMPLE

What if you had to take distributions in 2022?

G Fund	F Fund	C Fund	S Fund	I Fund
+2.98%	−12.83%	−18.13%	−26.26%	−13.94%
2022 return	*2022 return*	*2022 return*	*2022 return*	*2022 return*

$500,000 PORTFOLIO

$500,000



20%	20%	10%	25%	25%	0%
C	S	I	F	G	Cash
$100,000	$100,000	$50,000	$125,000	$125,000	$0
4%	*4%*	*4%*	*4%*	*4%*	*0%*
$4,000	$4,000	$2,000	$5,000	$5,000	$0

Selling shares during a year like 2022 locks in losses. The portfolio takes years to recover what one bad sequence took in twelve months.

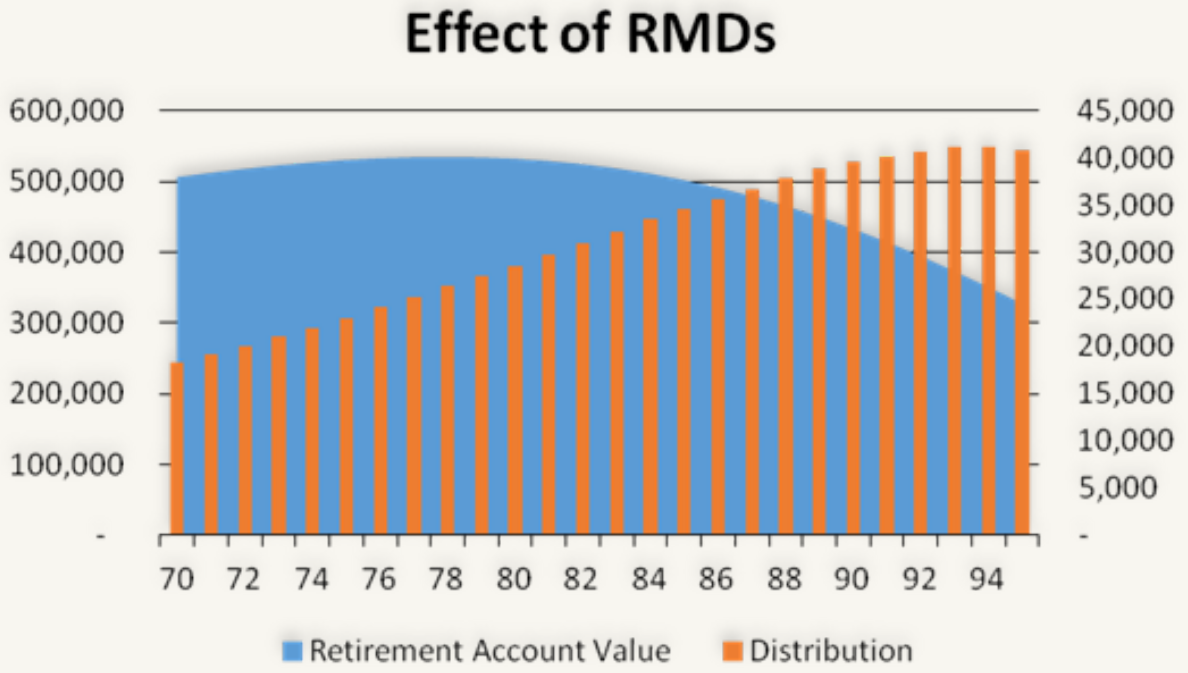
Which RMD age applies to you?

SECURE 2.0 raised the age for required minimum distributions in steps.

Age	Individuals Impacted	Effective Year
Age 72 (or 70½)	Born 1950 or earlier	—
Age 73	Born 1951 – 1959	2023
Age 75	Born 1960 or later	2033

How RMDs grow over time.

Assumes a 5% annual return and a $500,000 starting value.



Source: Headwater Investments calculation, assumes 5% annual return and starting value of $500,000.

Roth or Traditional?

The decision that shapes how — and when — you're taxed.

STEP 04

Understanding your tax picture.

Will you be in a lower, the same, or a higher tax bracket when you retire?

Lower

You expect less taxable income in retirement — Traditional may win.

Same

A wash between the two — other factors decide.

Higher

You expect more taxable income or higher future rates — Roth may win.

Roth or Traditional TSP?

If you retire in the same bracket you worked in, the pros come down to these.

Pros — Roth

- Rules out government legislative (tax-rate) risk
- No RMDs
- Transfers to heirs tax-free
- Tax-free withdrawals

Pros — Traditional

- Geography plan — defer state tax now
- Move to a no-income-tax state later and save on distributions
- Lower taxable income during working years

Target retirement income.

Start with gross income, subtract what you won't need to replace, and arrive at the actual number to plan for.

GROSS INCOME & DEDUCTIONS

Gross Income — Sue	$107,000
Gross Income — Bill	$0
TOTAL GROSS	**$107,000**
LESS:	
TSP / 401(k)	$24,500
IRA	$6,500
Social Security tax	$6,634
Roth IRA	$6,500
TOTAL PAYMENTS	**$44,134**

YOUR TARGET

Target Retirement Income

$62,866

per year, in today's dollars.

Gross income, less the dollars you won't need to replace once you stop working. This is the number to plan for — not your salary.

Ages 62 to 69 — before Social Security & RMDs.

Sue draws her pension and taps the 401(k)/IRA/TSP. Bill draws from his IRA. Neither takes Social Security yet. Roth accounts stay invested.

SUE • INCOME STREAM

Sue's income

Pension	**$18,836**
Social Security	*— not yet —*
401(k) / IRA / TSP withdrawal	**$31,506**
Total	$50,342

BILL • INCOME STREAM

Bill's income

Social Security	*— not yet —*
IRA withdrawal	**$12,750**
Total	$12,750

TOTAL INCOME	$63,092
TARGET RETIREMENT INCOME	$62,866

SUE • ASSETS

Sue's accounts

ACCOUNT	PRESENT VALUE	RATE	FUTURE VALUE (year 8)
Roth IRA	**$68,640**	4%	**$93,939**
401(k) / IRA / TSP	**$1,182,264**	4%	**$1,314,138**
Total	$1,250,904		$1,408,077

BILL • ASSETS

Bill's accounts

ACCOUNT	PRESENT VALUE	RATE	FUTURE VALUE (year 8)
Roth IRA	**$22,880**	4%	**$31,313**
Savings	**$101,000**	1%	**$109,369**
IRA	**$318,760**	4%	**$314,061**
Total	$442,640		$454,743

TOTAL ASSETS TODAY	$1,693,544
TOTAL ASSETS (year 8)	$1,862,820

When RMDs & Social Security turn on.

Both checks now flow. Pension, Social Security, and required distributions from the retirement accounts combine to lift total income well past target.

SUE • INCOME STREAM

Sue's income

Pension	$18,836
Social Security	$32,000
401(k) / IRA / TSP (RMD)	$38,650
Total	$89,486

BILL • INCOME STREAM

Bill's income

Social Security	$32,000
IRA (RMD)	$12,562
Total	$44,562

TOTAL INCOME	$134,048
TARGET RETIREMENT INCOME	$62,866

SUE • ASSETS

Sue's accounts

ACCOUNT	PRESENT VALUE	RATE	FUTURE VALUE (age 100)
Roth IRA	$93,939	4%	$879,550
401(k) / IRA / TSP	$966,257	4%	$304,680
Total	$1,060,196		$1,184,230

BILL • ASSETS

Bill's accounts

ACCOUNT	PRESENT VALUE	RATE	FUTURE VALUE (age 100)
Roth IRA	$31,313	4%	$101,560
Savings	$109,369	1%	$147,412
IRA	$314,061	4%	$285,878
Total	$454,743		$534,850

TOTAL ASSETS TODAY	$1,514,939
TOTAL ASSETS (age 100)	$1,719,080

Tax Bracket *2025*

Reference year — the brackets that frame conversion strategy decisions made in 2025.

RATE	SINGLE FILERS	MARRIED, JOINT	HEAD OF HOUSEHOLD
10%	$0 – $11,925	$0 – $23,850	$0 – $17,000
12%	$11,925 – $48,475	$23,850 – $96,950	$17,000 – $64,850
22%	$48,475 – $103,350	$96,950 – $206,700	$64,850 – $103,350
24%	$103,350 – $197,300	$206,700 – $394,600	$103,350 – $197,300
32%	$197,300 – $250,525	$394,600 – $501,050	$197,300 – $250,500
35%	$250,525 – $626,350	$501,050 – $751,600	$250,500 – $626,350
37%	$626,351+	$751,601+	$626,351+

Brackets are inflation-adjusted yearly. Compare 2025 vs. 2026 to see whether converting one year vs. another moves your marginal rate.

IRS Form 1040 — *taxable income.*

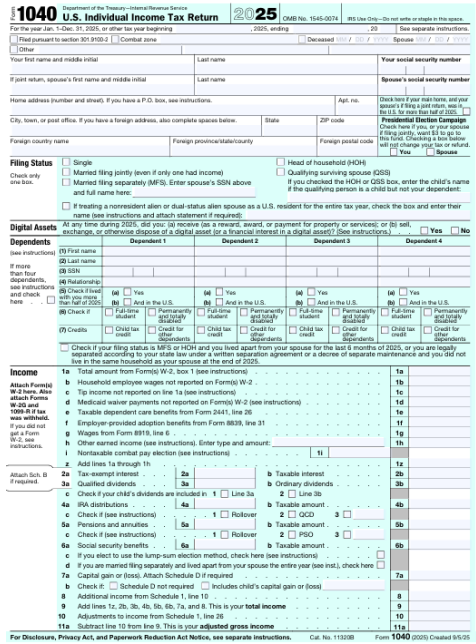
Line 15 is where your marginal bracket is set — your income after deductions.

HOW LINE 15 IS BUILT

11	Adjusted gross income (AGI)	**$213,000**
12	Standard deduction — married filing jointly	**($30,000)**
14	Total deductions	**($30,000)**
15	**TAXABLE INCOME** *The figure your bracket is applied to*	**$183,000**

Illustrative · 2025, married filing jointly. The tax rate schedule applies to line 15 — not your gross pay.

FORM 1040 · 2025

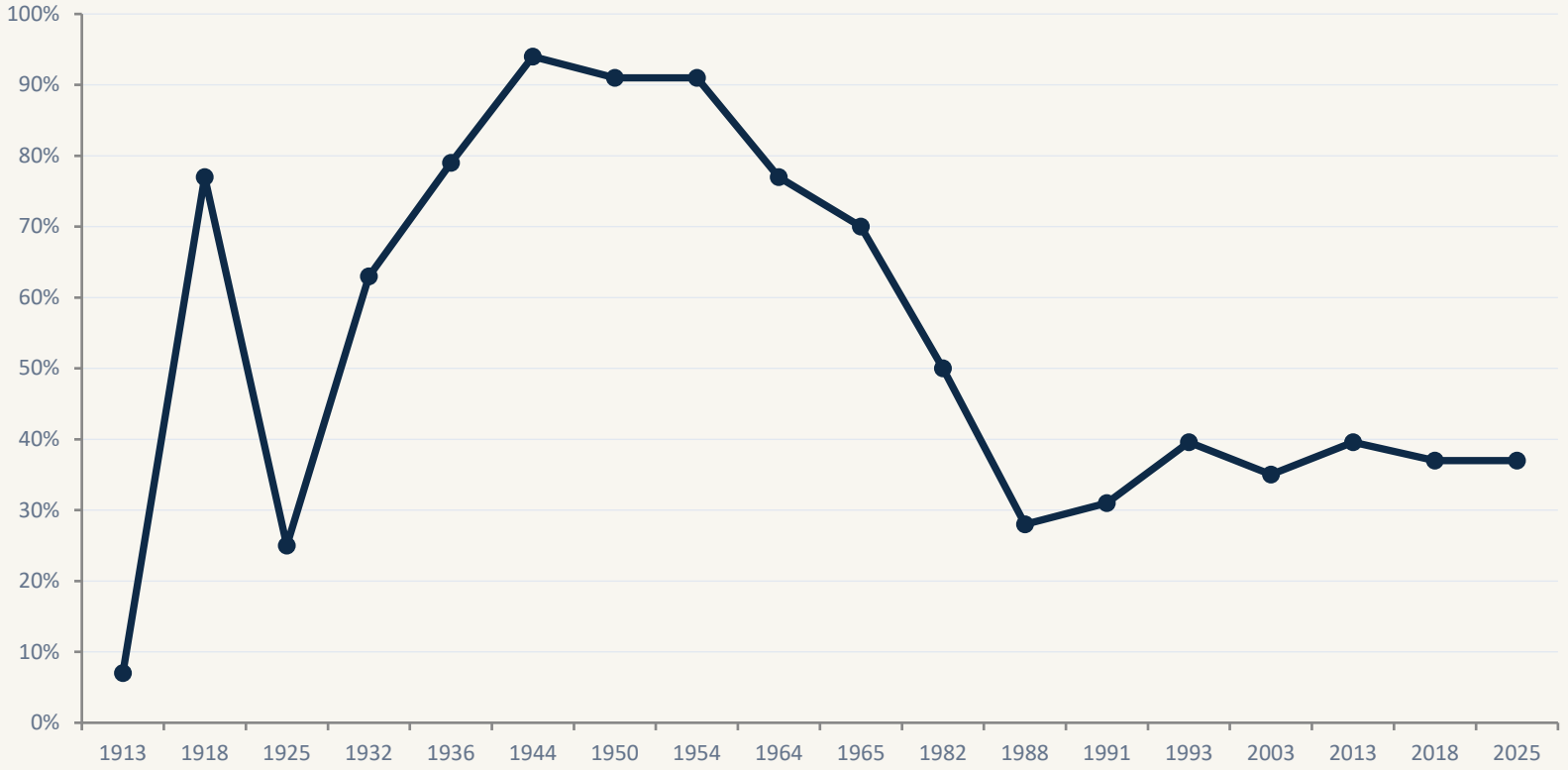


Form **1040** U.S. Individual Income Tax Return **2025**

Page 1 ends at line 11 (AGI). Line 15 — taxable income — carries to page 2.

Where will taxes be in your future?

Top marginal income tax rate, 1913–present. Today's rates are historically low.

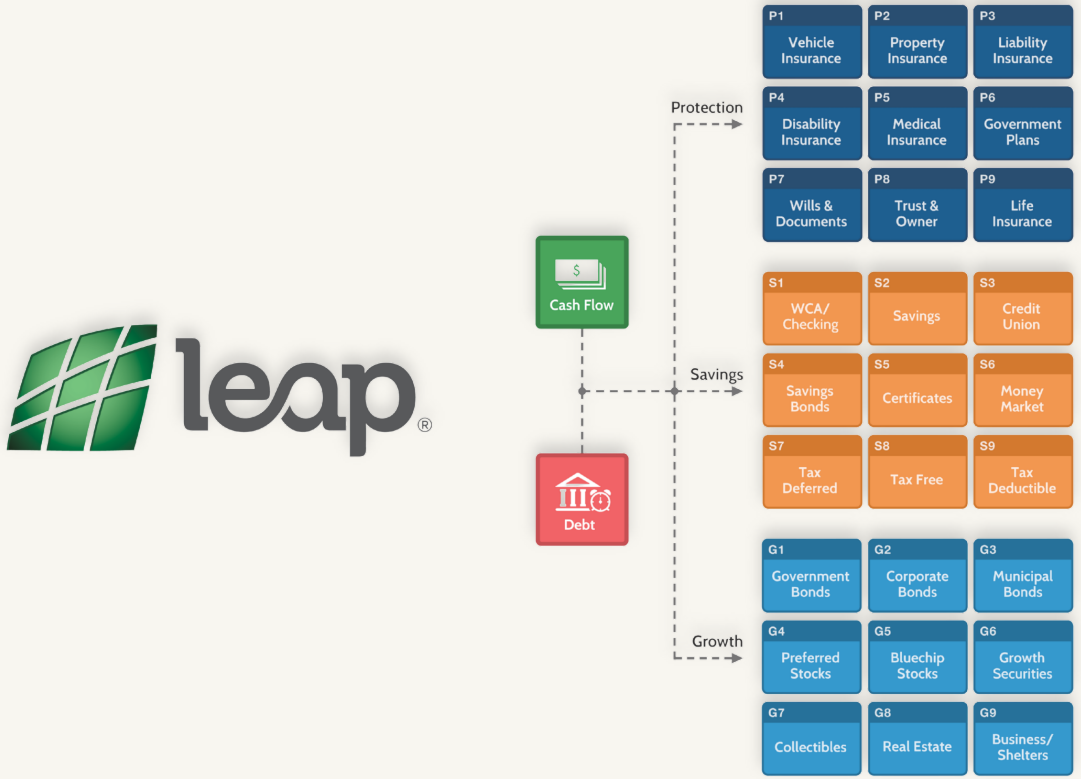


Source: Tax Policy Center — historical highest marginal income tax rates.

Your opinion matters.

The financial-planning universe.

How the pieces of a complete plan fit together. Courtesy of Leap Systems.



SOFA

THE SOCIETY FOR FINANCIAL AWARENESS

Thank you.

Kindly fill out our feedback survey.

https://apply.cjcwealth.com/federal