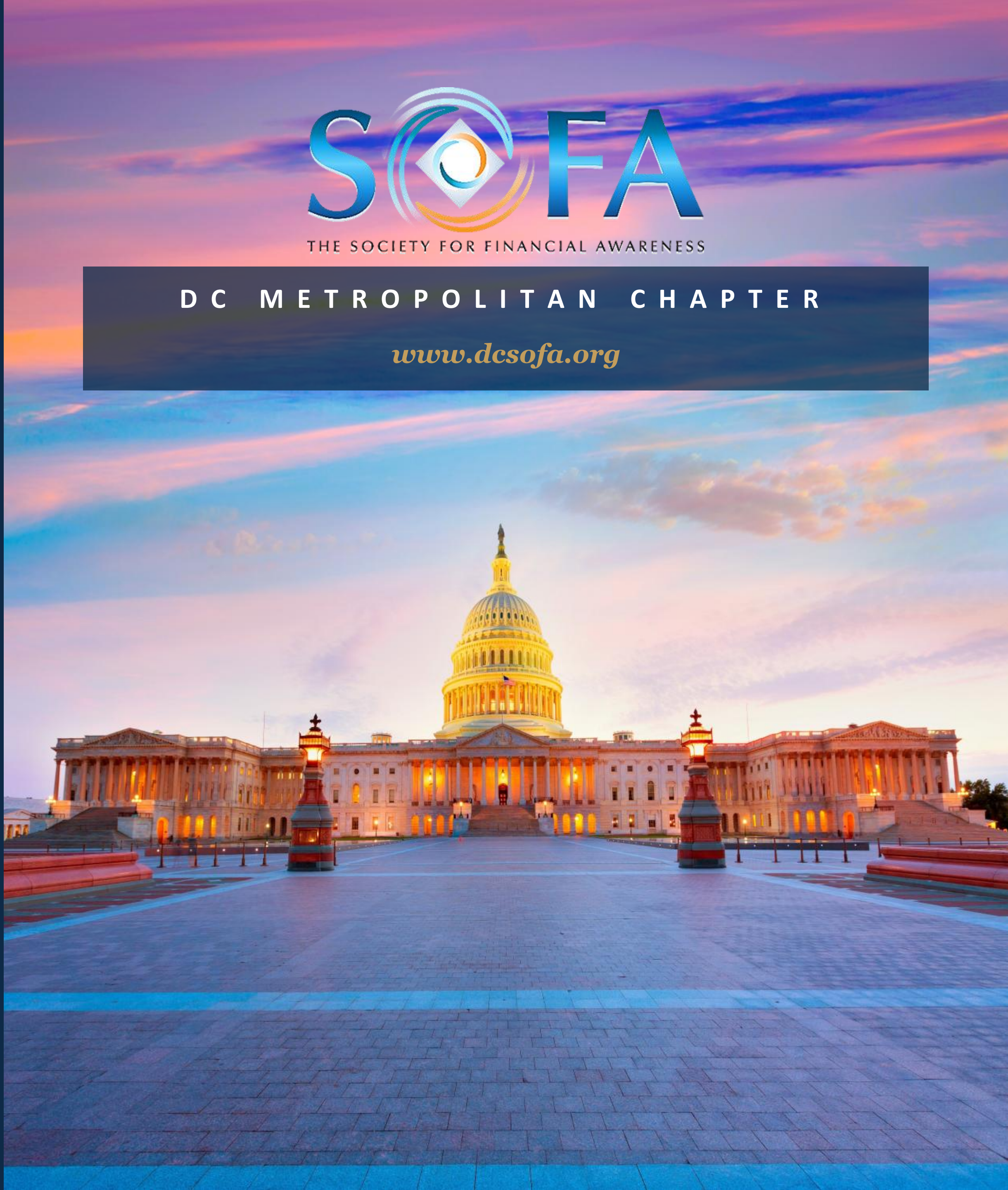
A WORKSHOP FOR FEDERAL EMPLOYEES

Retirement Ready? What TSP Holders 59½+ Must Know Before Buying an Annuity

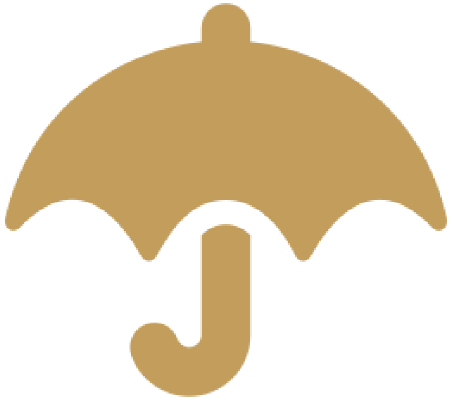
What every Fed should know before saying yes — or no.

CREATED BY

C|J CAMPBELL & associates
Financial Services Redefined



Two main purposes of annuities.



01 Protection & Accumulation

Allow you to prepare for retirement, helping create a future stream of income while protecting savings from loss.

02 Guaranteed Income

Offer peace of mind — a source of income that lasts as long as you want, or as long as you live.

PRODUCT LANDSCAPE

Three types of annuities.

Each gives up something — and gets something back in return.

TYPE 01

Fixed

The insurer promises a minimum interest rate and a fixed amount of periodic payments.

TYPE 02

Variable

Premiums are directed to investment options, usually mutual funds. Payouts vary with returns and expenses.

TYPE 03

Fixed Indexed

Combines features of a fixed annuity and market participation. Returns are credited based on a stock market index, e.g. the S&P 500 — with a floor that protects against loss.

TSP LIFETIME INCOME OPTION

Your TSP's fixed immediate annuity.

MetLife is the TSP’s sole annuity vendor — a single premium immediate annuity (SPIA).

PROVIDER

MetLife

The TSP’s sole annuity vendor. You purchase a single premium immediate annuity — irrevocable — using $3,500 or more of your vested TSP balance.

PRICING

Rate + Age

Monthly payment is set by the interest-rate index (based on the 10-year Treasury) at purchase, plus your age, joint annuitant age, and premium amount.

PAYMENTS

Monthly for Life

First payment about 30 days after MetLife receives your funds. Payments last exactly as long as you (or your joint annuitant) live — no longer.

TSP ANNUITY OPTIONS

Simple menu. Permanent decision.

Each choice raises income or protects a survivor — and locks in the moment you sign.

YOUR CHOICES

Single or Joint

Single life, joint with spouse, or joint with someone who has an insurable interest. Joint survivor pays 50% or 100% after the first death.

GROWTH FEATURE

Level or Rising

Payments stay level, or increase up to 2% per year (down from 3% pre-2020) to help offset inflation — at a lower starting amount.

THE TRADE

Irrevocable

Cash refund and 10-year certain add a limited death benefit, but you cannot unwind the contract, take a lump sum back, or leave the balance to heirs.

VARIABLE ANNUITIES

Two accounts, two different stories.

How the same $100,000 grows over 7 years inside a variable annuity.

CASH ACCOUNT	
Initial Premium	**$100,000**
Annual Fees (3.5%)	**–$3,500**
M&E 1% · Rider 1.5% · Mgmt 1%	
Average RoR	**5%**
Annuity Period	**7 years**
TOTAL GROWTH	**$110,984**

GUARANTEED ACCOUNT	
Initial Premium	**$100,000**
Bonus 8%	**+$8,000**
Guaranteed RoR (simple 6.5%)	**+$6,500/yr**
Annuity Period	**7 years**
TOTAL GROWTH	**$157,140**

VARIABLE ANNUITY WITHDRAWALS

When income starts, the math diverges.

Same starting balance. Same withdrawal. Very different durability.

CASH ACCOUNT

Account Value	**$110,984**
– $3,500 fees	
– $7,857 guaranteed withdrawal	
ANNUAL DRAW	**– $11,357**
LASTS APPROXIMATELY	**15 years**

GUARANTEED ACCOUNT

Income Base	**$157,140**
× 5% withdrawal rate	
ANNUAL INCOME	**$7,857**

Single life or joint?

PAYS FOR	**Lifetime**

PURPOSE 01 · INDEXED ANNUITY STRATEGIES

Protection and Accumulation.

How indexed annuities offer market-linked growth — with a floor that protects your principal.

Index-linked growth, with a floor.

Five defining features of an indexed annuity contract.

Guaranteed Principal

Your premium is protected — credited interest can't go below zero in any single year.

Deferral

Tax-deferred growth until you start taking distributions.

Index-Linked Growth

Returns are credited based on a market index (e.g. S&P 500), subject to caps or participation rates.

No Direct Fees

Most fixed-indexed annuities have no explicit M&E or rider fees on the base contract.

Legacy

Remaining contract value passes to named beneficiaries — typically without going through probate.

INDEXED ANNUITY CREDITING METHOD

Cap Rate

If the index gains, you participate up to a 9.50% ceiling. If it loses, you're held at zero.

Year	S&P 500® Return	% Credited	Contract Value
2001	-13.04%	0.00%	$200,000
2002	-23.37%	0.00%	$200,000
2003	+26.38%	9.50%	$219,000
2004	+8.99%	8.99%	$238,688
2005	+3.00%	3.00%	$245,849
2006	+13.62%	9.50%	$269,204
2007	+3.53%	3.53%	$278,707
2008	-38.49%	0.00%	$278,707
2009	+23.45%	9.50%	$305,184
2010	+12.78%	9.50%	$334,177
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2012	+13.40%	9.50%	$365,924
2013	+29.60%	9.50%	$400,687
2014	+11.39%	9.50%	$438,752
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2020	+16.26%	9.50%	$630,776
2021	+26.89%	9.50%	$690,700
2022	+16.00%	9.50%	$756,317
2023	-18.11%	0.00%	$756,317
2024	+24.23%	9.50%	**$828,167**

CAP RATE

9.50%

24-YEAR ENDING VALUE

$828,167

from $200,000 · 4.14× growth

CREDITING METHOD

Lesser of S&P 500® annual return or 9.50% (if positive; otherwise 0%). 0% floor — no negative interest.

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Floored at 0%
Negative S&P year

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INDEXED ANNUITY CREDITING METHOD

Point-to-Point Participation Rate

You receive 50% of the index gain — uncapped on the upside, still floored at zero.

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2013	+29.60%	14.80%	$379,986
2014	+11.39%	5.70%	$401,626
2015	-0.73%	0.00%	$401,626
2016	+9.54%	4.77%	$420,784
2017	+19.42%	9.71%	$461,642
2018	-6.24%	0.00%	$461,642
2019	+28.88%	14.44%	$528,303
2020	+16.26%	8.13%	$571,254
2021	+26.89%	13.45%	$648,059
2022	+16.00%	8.00%	$699,904
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2024	+24.23%	12.12%	**$784,697**

PARTICIPATION RATE

50%

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WHY IT MATTERS

Principal protection in retirement.

Three places this protection earns its keep — especially for Federal employees with TSP and IRA assets.

01

Never Sell Low

Avoid selling investments at a loss to fund living expenses — the protected portion lets the rest of the portfolio recover.

02

RMDs & TSP

Required Minimum Distributions force withdrawals on a schedule the market doesn't care about. A guaranteed bucket smooths the timing risk.

03

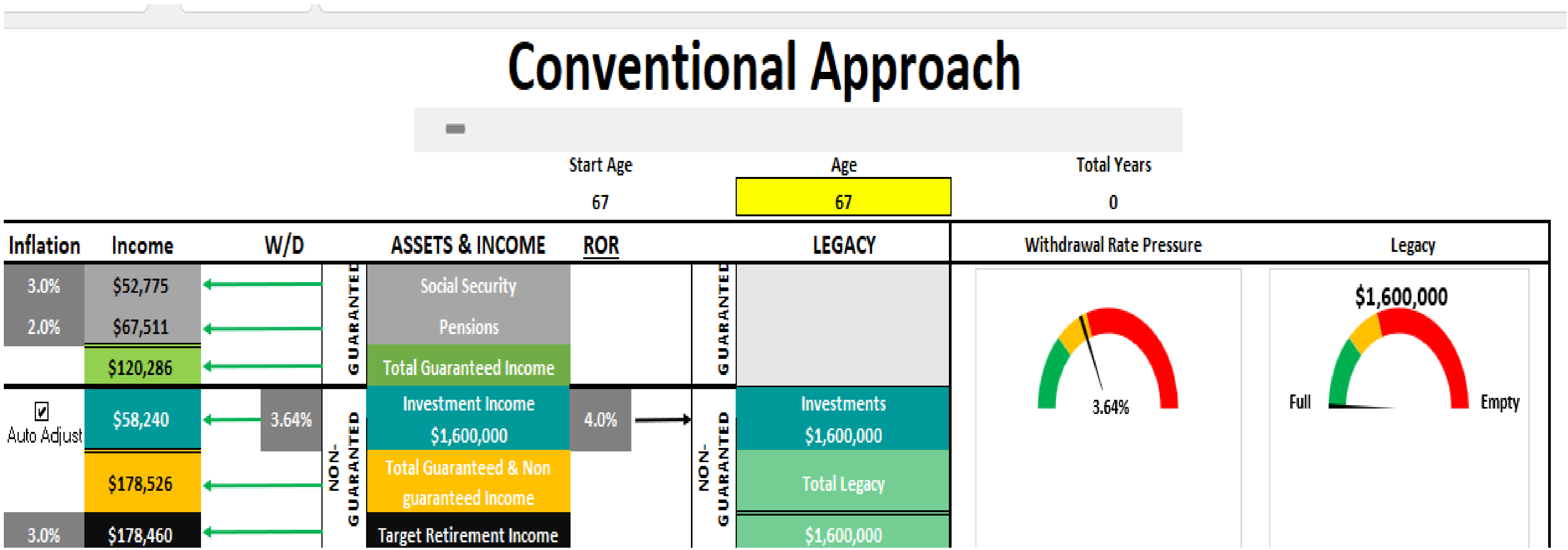
IRA Distribution

Coordinated annuity income can become the foundation of an IRA distribution strategy — predictable, taxable, and durable.

T H E   S T A R T I N G   P I C T U R E

Conventional retirement approach.

Income flows from non-guaranteed assets — investments do the heavy lifting.



Source: CJ Campbell & Associates Retirement Income Model · age 67 · $1.6M investments · 4% withdrawal rate.

REAL-WORLD EXAMPLE

What if you took 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

C	S	I	F	G	Cash
20%	20%	10%	25%	25%	0%
$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.

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Median bond return environments.

How asset classes performed when bond returns were below median, above median, and across the full period.

	Below median bond returns	Above median bond returns	Overall period
Long-Term Gov't Bonds	1.87%	9.00%	5.43%
Large Cap Stocks	11.43%	9.84%	10.63%
FIA	**4.42%**	**7.55%**	**5.98%**
60 / 40 (Stocks & Bonds)	7.60%	9.50%	8.55%
60 / 20 / 20 (Stocks, Bonds, FIA)	8.12%	9.21%	8.66%
60 / 40 (Stocks & FIA)	8.63%	8.92%	8.77%

Source: 2017 SBBI Yearbook, Roger G. Ibbotson, Duff & Phelps; Zebra Capital; AnnGen Development, LLC.

INVESTOR BEHAVIOR

Behavior drives results.

These 10-year returns reflect what a disciplined investor would have earned by simply staying invested.

Yet studies show that the average investor often earns:

1–3%

LESS PER YEAR

THE CAUSE ISN'T POOR INVESTMENTS.

It's poor timing.

Multiple long-term studies show the average investor earns 1–3% less annually than the funds they invest in. The gap doesn't come from picking bad funds — it comes from buying after the rally and selling after the decline.

In retirement, the gap compounds. Withdrawals during fear-driven downturns lock in losses that compounding can't undo.

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What if you took 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.

WITH AN ANNUITY LAYER

What if part of it was an annuity?

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%	12.5%	12.5%	25%
C	**S**	**I**	**F**	**G**	**Annuity**
$100,000	$100,000	$50,000	$62,500	$62,500	$125,000
0%	*0%*	*0%*	*0%*	*0%*	*10%*
$0	$0	$0	$0	$0	$12,500

The annuity layer covers the income need without selling any shares. Every other position keeps full recovery potential.

TWO WAYS TO ALLOCATE $500,000

With or without an annuity.

Same starting balance. Same income need. Different ways to generate it.

WITHOUT ANNUITY · 4% FROM EACH FUND — ANNUAL DRAW $20,000

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

WITH ANNUITY · INCOME FROM ANNUITY ONLY — ANNUAL DRAW $12,500

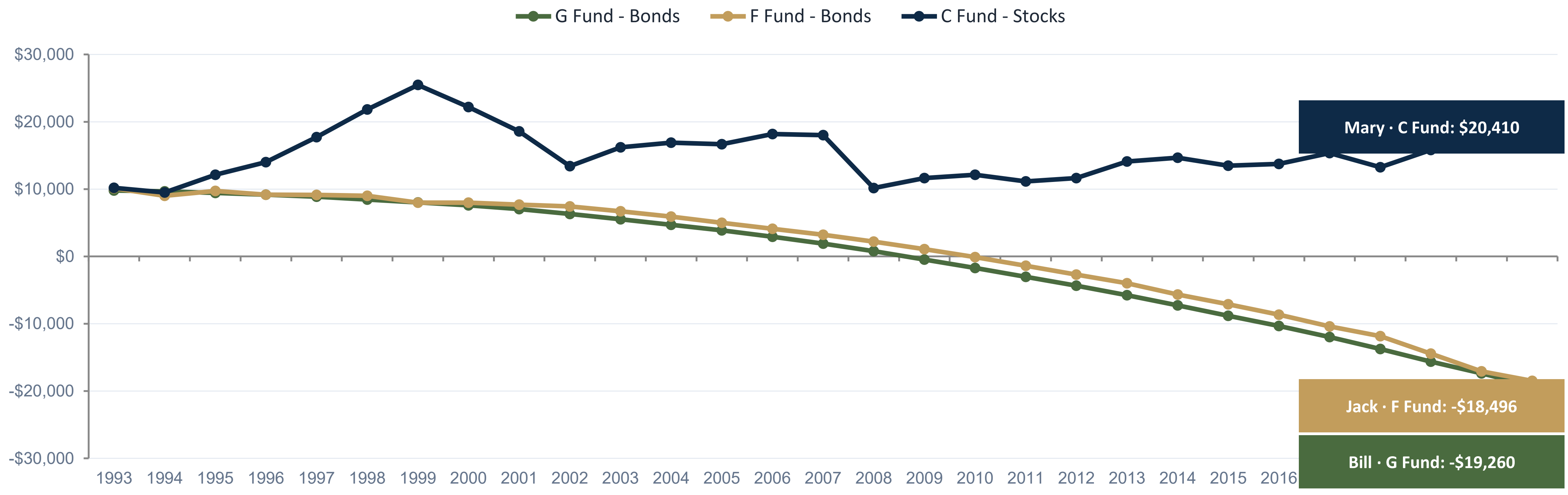
20%	20%	10%	12.5%	12.5%	25%
C	S	I	F	G	Annuity
$100,000	$100,000	$50,000	$62,500	$62,500	$125,000
0%	0%	0%	0%	0%	10%
$0	$0	$0	$0	$0	$12,500

Same $500,000. Same need for income. The annuity layer covers it without selling shares — every other position keeps growing.

LOSS OF PURCHASING POWER

What happens when you start spending?

In 1993, retirees Bill, Jack, and Mary each have $10,000 in the TSP. Each year they withdraw enough to buy 2,000 first-class stamps (after 30% tax). Same starting amount. Same withdrawal need. Three different funds.



Past performance is no guarantee of future performance. The data assumes reinvestment of all income.

PURPOSE 02 · ANNUITY INCOME STRATEGIES

Guaranteed Income.

How an annuity income layer covers your essential expenses — for as long as you live.

Two paths from $500,000 of savings.

Same starting balance. Different choices about what to guarantee — and what to keep flexible.

PATH A — Traditional · all in market

$500,000
invested in market

× *4% withdrawal*

ANNUAL INCOME

$20,000

subject to market performance

PATH B — Annuity + investments

$500,000

$300,000
annuity

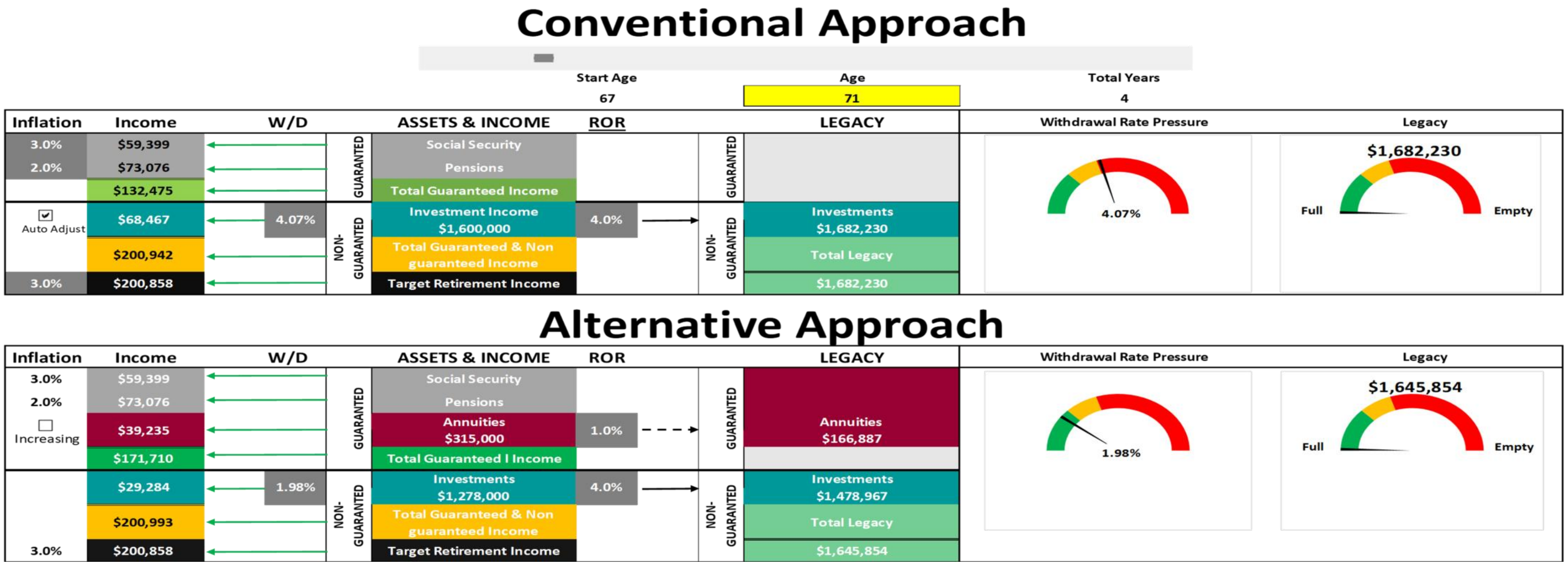
$20,000 / yr
guaranteed for life

$200,000
invested

- Inflation
- Growth
- Long-term care

Alternative retirement approach.

An annuity layer adds guaranteed income — and reduces reliance on the portfolio's behavior.



Source: CJ Campbell & Associates Retirement Income Model · age 71 · annuity layer of $315,000 · 1.0% annuity income rate.

Features and fees.

A guaranteed income annuity is built from a set of decisions you make up front — each with a cost or trade-off.

OPTIONS YOU CAN CHOOSE

- **Coverage type**
  Single Life or Joint Life
- **Income start age**
  Defer 0 – 20+ years before income begins
- **Premium bonus**
  Some contracts add 5 – 10% to the income base on day one
- **Income base step-up**
  Roll-up rate (e.g. 7% simple) compounds the income base during deferral
- **Spousal continuation**
  Surviving spouse continues the same income for life
- **Chronic illness multiplier**
  Payments can double if you can't perform 2 of 6 ADLs
- **Legacy / death benefit**
  Remaining contract value passes to named beneficiaries

FEES & CHARGES

- **Rider fee**
  0.95% – 1.25% of the income base, deducted annually
- **Surrender charge schedule**
  Declining over 7 – 10 years (e.g. 8/7/6/5/4/3/2/0%)
- **Free withdrawal corridor**
  Typically 10% of contract value per year without penalty
- **Market value adjustment**
  Some products apply an MVA to excess withdrawals
- **Bonus recapture**
  Premium bonus may be reduced if surrendered early
- **Deferred income**
  Locks in the income base — withdrawals before start age reduce it
- **No direct M&E charge**
  Fixed indexed annuities typically have no mortality & expense fee

Ranges shown are typical of the current market and vary by carrier and product.

Coverage summary at a glance.

Premium $250,000 at age 60 · income begins year 11 (age 70).

01	02	03	04
PREMIUM	COVERAGE TYPE	INCOME START	COVERED AGE
$250,000	**Single Life**	**Year 11**	**70**

Year	Covered Age	Withdrawal Benefit Base	Lifetime Withdrawal %	Annual Withdrawal Amount (AWA)	AWA if Chronic Illness Multiplier Activated
At Issue	60	250,000			
1	61	274,375	5.81%	15,941	0
2	62	301,127	5.94%	17,887	35,774
3	63	330,486	6.06%	20,027	40,055
4	64	362,709	6.18%	22,415	44,831
5	65	398,073	6.27%	24,959	49,918
6	66	436,885	6.36%	27,786	55,572
7	67	479,481	6.44%	30,879	61,757
8	68	526,231	6.52%	34,310	68,620
9	69	577,538	6.60%	38,118	76,235
10	70	633,848	6.69%	42,404	84,809
11	**71**	**633,848**	**6.69%**	**42,404**	84,809
12	72	633,848	6.69%	42,404	84,809
13	73	633,848	6.69%	42,404	84,809
14	74	633,848	6.69%	42,404	84,809
15	75	633,848	6.69%	42,404	84,809
16	76	633,848	6.69%	42,404	84,809
17	77	633,848	6.69%	42,404	84,809
18	78	633,848	6.69%	42,404	84,809
19	79	633,848	6.69%	42,404	84,809
20	80	633,848	6.69%	42,404	84,809
21	81	633,848	6.69%	42,404	84,809
22	82	633,848	6.69%	42,404	84,809
23	83	633,848	6.69%	42,404	84,809
24	84	633,848	6.69%	42,404	84,809
25	85	633,848	6.69%	42,404	84,809
26	86	633,848	6.69%	42,404	84,809
27	87	633,848	6.69%	42,404	84,809
28	88	633,848	6.69%	42,404	84,809
29	89	633,848	6.69%	42,404	84,809
30	90	633,848	6.69%	42,404	84,809
40	100	633,848	6.69%	42,404	84,809
			TOTAL WITHDRAWALS	$1,272,134	

HYPOTHETICAL ILLUSTRATION · SINGLE LIFE

Year-by-year contract performance.

Premium $250,000 at age 60 · income begins year 11 · single life.

Year	Covered Age	Aggregate Credited Rate	Interest Credited	Account Value	Withdrawal Benefit Base	Lifetime Withdrawal %	Beginning of Year Withdrawals	Surrender Value	Death Benefit
At Issue	60			250,000	250,000				
1	61	6.00%	15,000	261,708	274,375	5.81%	0	238,037	261,708
2	62	0.00%	0	258,094	301,127	5.94%	0	237,221	258,094
3	63	6.00%	15,486	269,614	330,486	6.06%	0	250,109	269,614
4	64	6.00%	16,177	281,438	362,709	6.18%	0	263,625	281,438
5	65	6.00%	16,886	293,548	398,073	6.27%	0	277,623	293,548
6	66	0.00%	0	288,305	436,885	6.36%	0	275,357	288,305
7	67	6.00%	17,298	299,849	479,481	6.44%	0	289,009	299,849
8	68	6.00%	17,991	311,526	526,231	6.52%	0	303,079	311,526
9	69	0.00%	0	304,595	577,538	6.60%	0	299,126	304,595
10	70	6.00%	18,276	315,265	633,848	6.69%	0	312,417	315,265
11	**71**	**6.00%**	**16,372**	**281,626**	**633,848**	**6.69%**	**42,404**	**281,626**	**281,626**
12	72	6.00%	14,353	245,968	633,848	6.69%	42,404	245,968	245,968
13	73	0.00%	0	195,958	633,848	6.69%	42,404	195,958	195,958
14	74	6.00%	9,213	155,160	633,848	6.69%	42,404	155,160	155,160
15	75	6.00%	6,765	111,915	633,848	6.69%	42,404	111,915	111,915
16	76	6.00%	4,171	66,075	633,848	6.69%	42,404	66,075	66,075
17	77	0.00%	0	16,064	633,848	6.69%	42,404	16,064	16,064
18	78	0.00%	0	0	633,848	6.69%	42,404	0	0
19	79	0.00%	0	0	633,848	6.69%	42,404	0	0
20	80	0.00%	0	0	633,848	6.69%	42,404	0	0
21	81	0.00%	0	0	633,848	6.69%	42,404	0	0
22	82	0.00%	0	0	633,848	6.69%	42,404	0	0
23	83	0.00%	0	0	633,848	6.69%	42,404	0	0
24	84	0.00%	0	0	633,848	6.69%	42,404	0	0
25	85	0.00%	0	0	633,848	6.69%	42,404	0	0
26	86	0.00%	0	0	633,848	6.69%	42,404	0	0
27	87	0.00%	0	0	633,848	6.69%	42,404	0	0
28	88	0.00%	0	0	633,848	6.69%	42,404	0	0
29	89	0.00%	0	0	633,848	6.69%	42,404	0	0
30	90	0.00%	0	0	633,848	6.69%	42,404	0	0
40	100	0.00%	0	0	633,848	6.69%	42,404	0	0
		4.24% Average	$167,988 Total				$1,272,134 Withdrawn		

Coverage summary at a glance.

Premium $250,000 at age 60 · income begins year 11 (age 70).

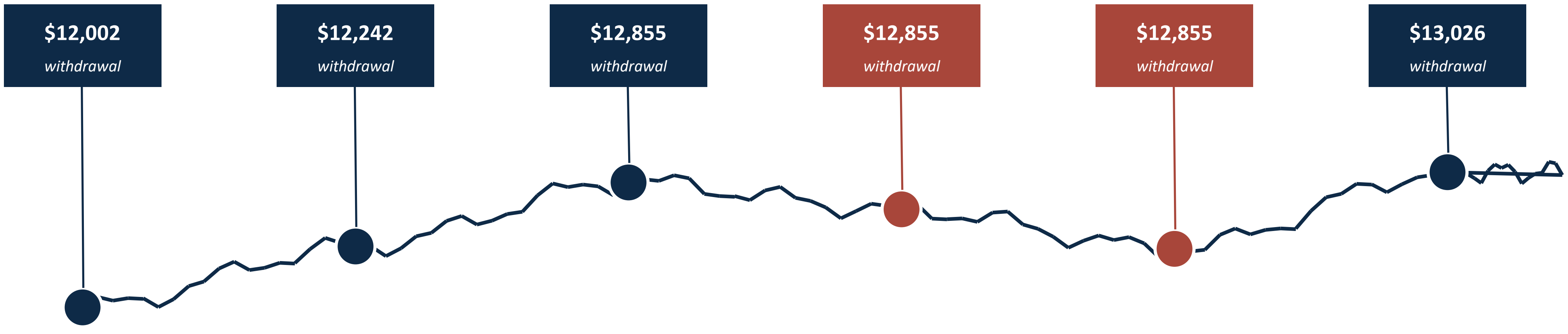
01 PREMIUM **$250,000**	02 COVERAGE TYPE **Joint Life**	03 INCOME START **Year 11**	04 COVERED AGE **70**

Year	Covered Age	Withdrawal Benefit Base	Lifetime Withdrawal %	Annual Withdrawal Amount (AWA)	AWA if Chronic Illness Multiplier Activated
At Issue	60	250,000			
1	61	274,375	5.31%	14,569	0
2	62	301,127	5.44%	16,381	32,763
3	63	330,486	5.56%	18,375	36,750
4	64	362,709	5.68%	20,602	41,204
5	65	398,073	5.77%	22,969	45,938
6	66	436,885	5.86%	25,601	51,203
7	67	479,481	5.94%	28,481	56,962
8	68	526,231	6.02%	31,679	63,358
9	69	577,538	6.10%	35,230	70,460
10	70	633,848	6.19%	39,235	78,470
11	**71**	**633,848**	**6.19%**	**39,235**	78,470
12	72	633,848	6.19%	39,235	78,470
13	73	633,848	6.19%	39,235	78,470
14	74	633,848	6.19%	39,235	78,470
15	75	633,848	6.19%	39,235	78,470
16	76	633,848	6.19%	39,235	78,470
17	77	633,848	6.19%	39,235	78,470
18	78	633,848	6.19%	39,235	78,470
19	79	633,848	6.19%	39,235	78,470
20	80	633,848	6.19%	39,235	78,470
21	81	633,848	6.19%	39,235	78,470
22	82	633,848	6.19%	39,235	78,470
23	83	633,848	6.19%	39,235	78,470
24	84	633,848	6.19%	39,235	78,470
25	85	633,848	6.19%	39,235	78,470
26	86	633,848	6.19%	39,235	78,470
27	87	633,848	6.19%	39,235	78,470
28	88	633,848	6.19%	39,235	78,470
29	89	633,848	6.19%	39,235	78,470
30	90	633,848	6.19%	39,235	78,470
40	100	633,848	6.19%	39,235	78,470
			TOTAL WITHDRAWALS	**$1,177,056**	

HOW IT WORKS

How the income base ratchets up.

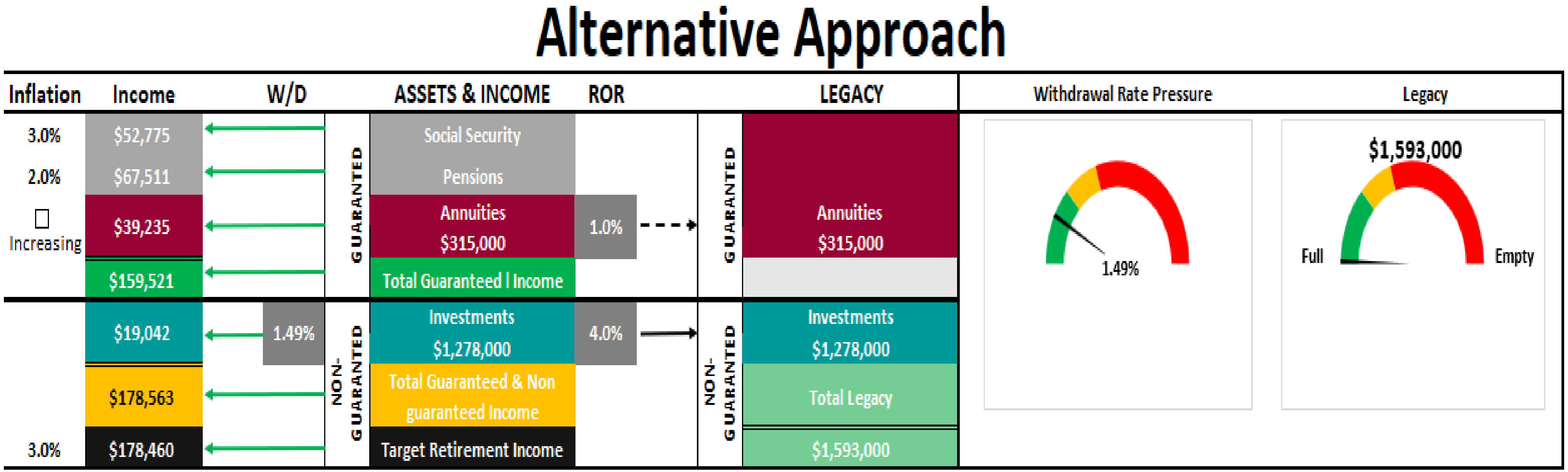
Withdrawals stay steady on the way up. When the index dips, income holds — the base never resets down.



	Age 65	Age 66	Age 67	Age 68	Age 69	Age 70
INDEX RETURN	+2%	+5%	+5%	−2%	−3%	+6%
INCOME CHANGE	+2%	+5%	+5%	No change	No change	+6%
BENEFIT BASE	**$273,880**	**$287,574**	**$287,574**	**$287,574**	**$287,574**	**$304,829**

Alternative retirement approach.

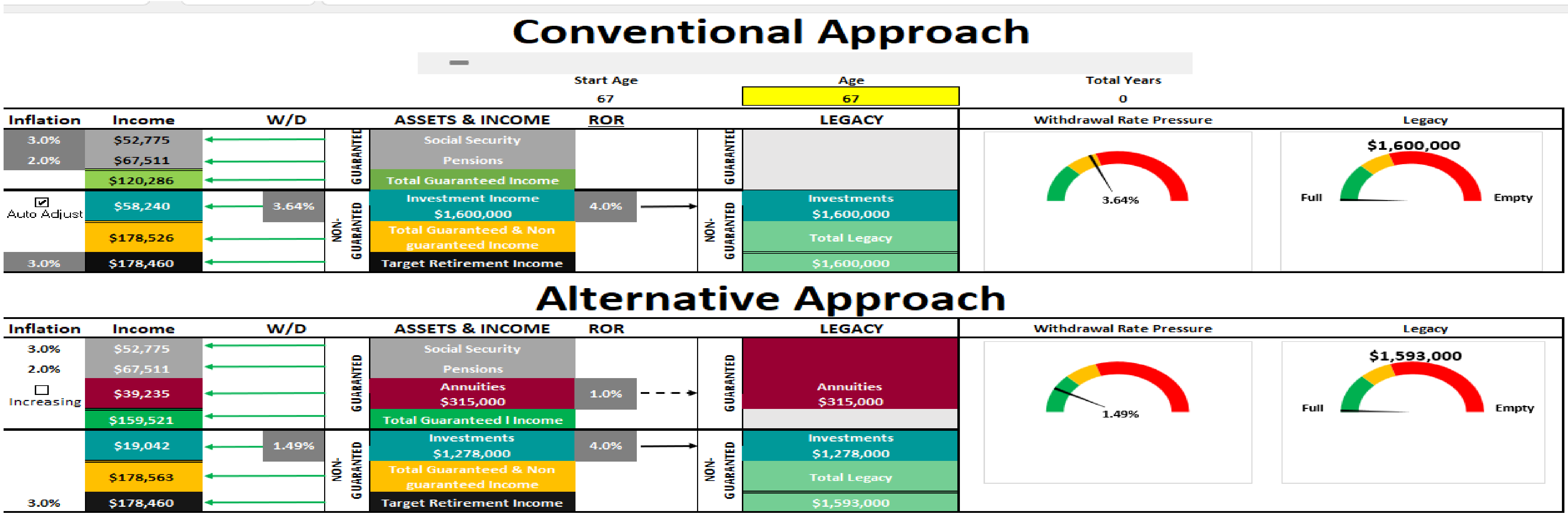
An annuity layer adds guaranteed income — and reduces reliance on the portfolio's behavior.



Source: CJ Campbell & Associates Retirement Income Model · age 67 · annuity layer of $315,000 · 1.0% annuity income rate.

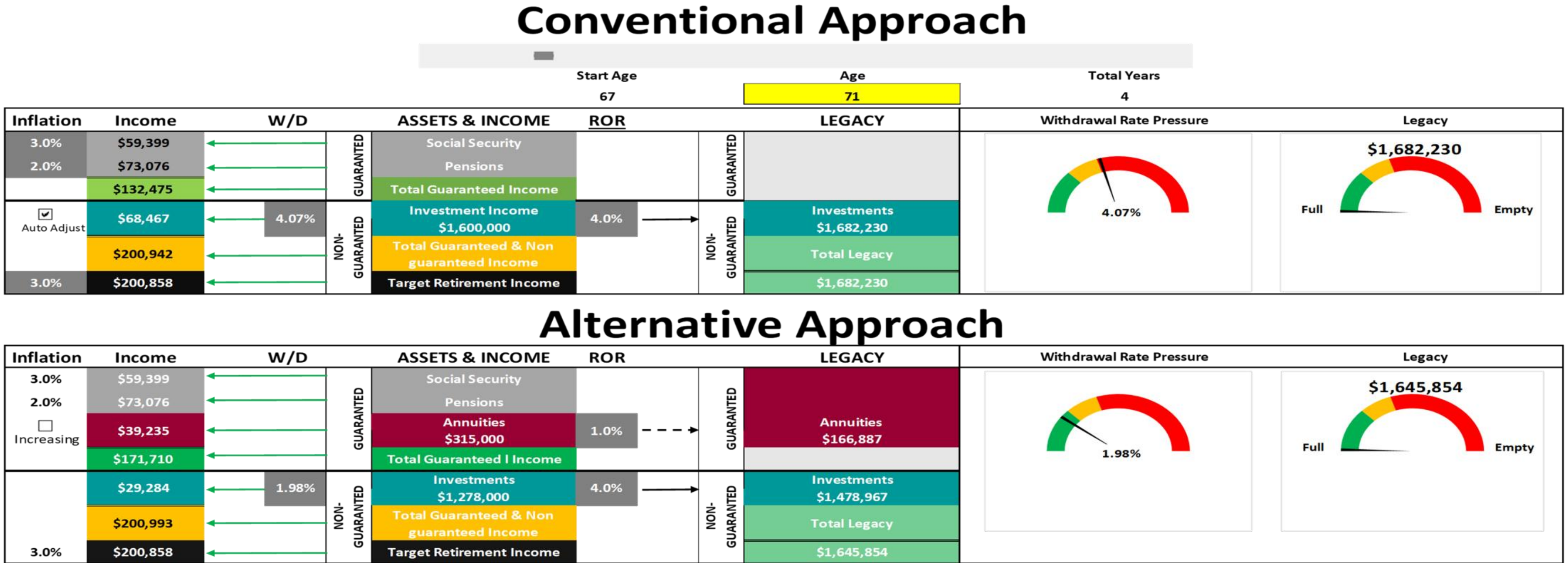
Conventional vs. Alternative at age 67.

Side-by-side at the start of retirement: how an Alternative strategy reframes the same income need.



Conventional vs. Alternative at age 71.

Same four years. Same target income. Two very different paths through inflation and withdrawal pressure.



VALIDATING THE GUARANTEED INCOME ASSUMPTION

The required rate of return.

If we want $39,235 of guaranteed income, what would it actually take to produce that from a portfolio? Walk the math step by step.

01

THE GOAL

How much guaranteed income at age 90?

$39,235

/ year

The income we want our money to spin off.

02

STARTING POINT

We have $250,000 today. We have 10 years.

$250,000

today, 10 years to grow

What we have to work with.

03

REVERSE ENGINEER

At a 4% withdrawal rate, what balance is required?

$980,875

needed at 90

$39,235 ÷ 4% = $980,875

04

REQUIRED RETURN

What annual rate of return is required?

14.65%

every year, 10 years

$\$250{,}000 \times (1.1465)^{10} \approx \$981{,}026$

CONSUMER CHARACTERISTICS

Who tends to like which strategy?

CONVENTIONAL

01 Comfortable with market volatility

02 Likes full control

03 Legacy is important to them

04 Driven by watching the portfolio grow

05 Comfortable with all the moving pieces

- *Understands how to rebalance*
- *Understands how to navigate income distributions in good and bad markets*
- *Understands how to navigate RMDs when the time comes*

ALTERNATIVE

01 Not as comfortable with market volatility

02 Likes less management

03 Not as driven to pass on legacy

04 Overwhelmed by the finance

05 Likes simplicity — not a lot of moving pieces

06 Conservative — needs withdrawal rate of 3–4%

CHAPTER

The Purpose of Money.

Money is a tool. The question is what we want it to do.

CASE STUDY

The Story of Jim.

A Federal employee with a TSP, a pension, and a question many of us share:

"How do I make sure I don't outlive my money?"

CASE STUDY · CONTINUED

But Theresa has different worries.

Same target income. Same TSP balance. Different temperament — and a different best answer.

CLOSING

Retirement Ready? What TSP Holders 59½+ Must Know Before Buying an Annuity

Questions are where good planning begins.