SOFA

THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsofa.org

INVESTING IN THE TSP

WHAT IS THE TSP?

- The TSP is a way to invest in stocks, bonds and the G Fund.
- The Thrift Savings Plan (TSP) is a "defined contribution plan."
  - The amount of retirement income you can receive from your TSP account depends upon how much you (and your agency, for FERS employees) contributed to account during your working years and earnings on those contributions. The value of your account and the amount of benefits are not guaranteed.
  - The contributions are voluntary and are separate from your contributions to your FERS Basic Annuity or CSRS annuity.
- For FERS employees, there are two tax benefits to making contributions to the regular TSP:
  - Pre-tax: Contributions taken out before taxes withheld, reducing taxable income.
  - Tax deferral: Taxes are deferred until you withdraw your money.
- How important is the TSP?
  - For FERS employee, the TSP is an integral part of your retirement package, along with your FERS Basic Annuity and Social Security.
  - For CSRS employees, the TSP is a supplement to the CSRS annuity.

ROTH & REGULAR TSP

You can choose between two tax treatments for your TSP contributions:

- Traditional (pre-tax)-You defer paying taxes on your contributions and their earnings until you withdraw them. If you are a uniformed services member making tax-exempt contributions, your contributions will be tax-free at withdrawal but your earnings will be subject to tax.
- Roth (after-tax)-You pay taxes on your contributions as you make them (unless you are making tax-exempt contributions), and your earnings are tax-free at withdrawal as long as you meet certain IRS requirements

The Treatment of…	Traditional TSP	Roth TSP
Contributions	***Pre-tax***	***After-tax***[1]
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	***Transfers*** allowed from eligible employer plans and traditional IRAs	***Transfers*** allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
Transfers Out	***Transfers*** allowed to eligible employer plans, traditional IRAs, and Roth IRAs[2]	***Transfers*** allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs[3]
Withdrawals	***Taxable*** when withdrawn	***Tax-free*** earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, permanently disabled, or deceased

Source: tsp.gov

TO CLEAR UP THE CONFUSION

- The difference between a ROTH IRA and a ROTH TSP:

	Roth TSP	Roth IRA	
Required Minimum Distributions	NO	No	Phase Out!!!!
Income Limitation for Contributions	No	YES	Single/Head of House Hold: $146,000- $161,000
			Married Filing Joint: $230,000 - $240,000
Annual Maximum Contributions	$23,000	$7,000	
Catch Up Provision 50+	$7,500	$1,000	
Total Potential Annual Contribution	$30,500	$8,000	

TSP FUND BASICS

When your beneficiary participant account is first established, its balance is no longer invested according to any previously selected investment allocation. Instead, the entire balance is invested in the Lifecycle (L) Fund targeted most closely to the year you turn 62 (or the L Income Fund if you are age 62 or older). This investment remains in place unless you make an interfund transfer.

The TSP offers you two approaches to investing your money:

The L Funds - These are "lifecycle" funds that are invested according to a professionally designed mix of stocks, bonds, and Government securities. You select your L Fund based on your "time horizon," the future date at which you plan to start withdrawing your money. Depending on your plans, this may be right away or some time in the future.

Individual Funds - You can make your own decisions about your investment mix by choosing from any or all of the individual TSP investment funds (G, F, C, S, and I Funds).

Choosing how to invest your account is completely up to you. You may invest in any fund or combination of funds. **Note**: Because the L Funds are already made up of the five individual funds, you may be duplicating your investments if you invest simultaneously in an L Fund and the individual TSP funds.

Source: TSP.GOV

THE TSP FUNDS: WHAT IS INSIDE?

The Lifecycle funds									
L Income	**L 2025**	**L 2030**	**L 2035**	**L 2040**	**L 2045**	**L 2050**	**L 2055**	**L 2060**	**L 2065**
Stocks, bonds and G (savings). The Lifecycle Funds are composed of various combinations of the G, F, C, S and I funds.									

The Traditional Funds				
G Fund	**F Fund**	**C Fund**	**S Fund**	**I Fund**
Savings type account	US Bonds	US stocks, large companies	US stocks	International stocks

Mutual Funds (added June 2022)

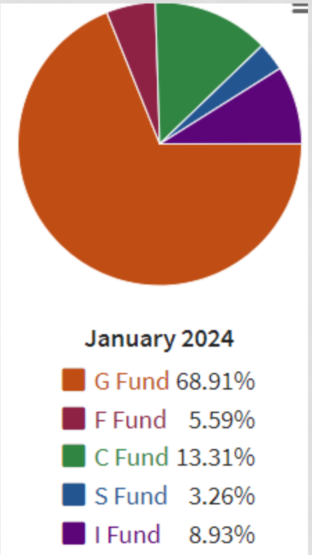
The mutual fund window is designed for TSP participants who are interested in greater investment flexibility. If your account meets certain eligibility criteria, you can choose to access a selection of mutual funds. As with most mutual funds, this flexibility comes with fees:

•$55 annual fee to ensure that use of the mutual fund window does not indirectly increase TSP administrative expenses for TSP participants who choose not to use the mutual fund window.
•$95 annual maintenance fee
•$28.75 per trade fee
•Other fees and expenses specific to chosen mutual funds

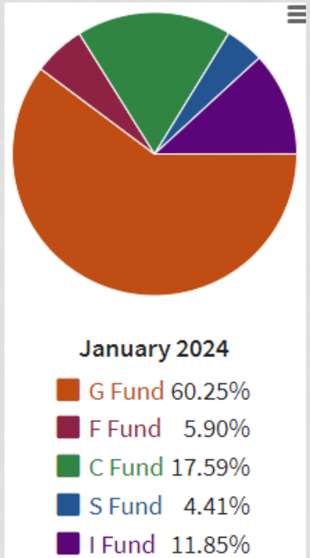
If you choose to invest through the mutual fund window, your initial investment must be at least $10,000, and you may not invest more than 25% of your total account in the mutual fund window.

L FUNDS ALLOCATION COMPARISON

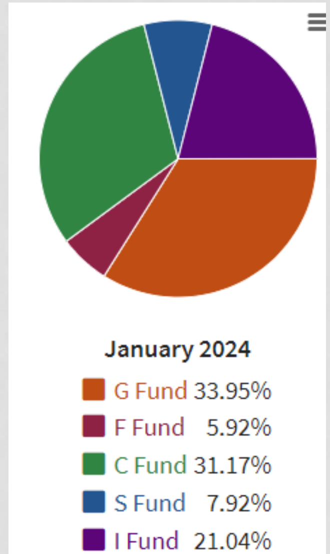
L Income



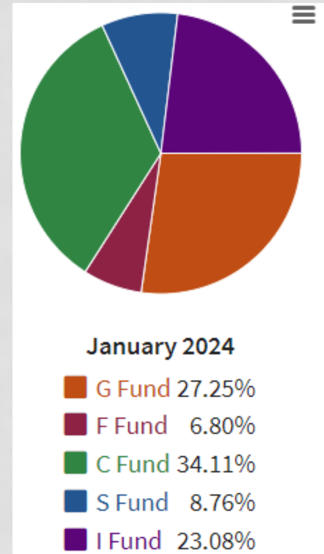
L 2025



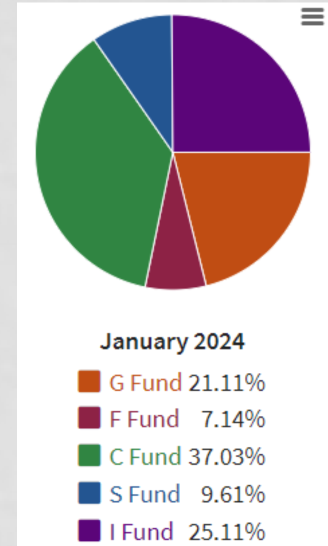
L 2030



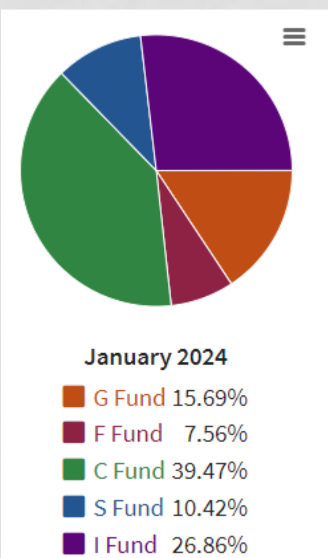
L 2035



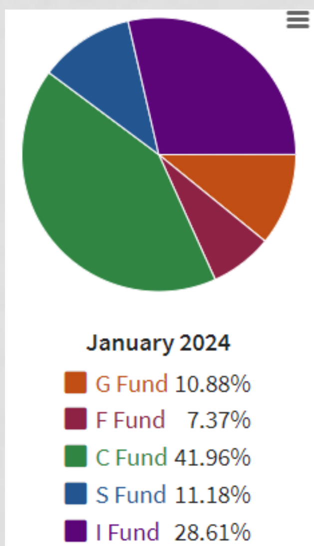
L 2040



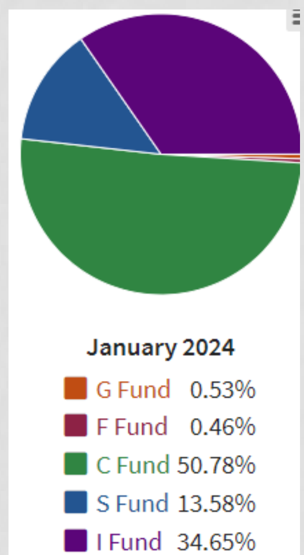
L 2045



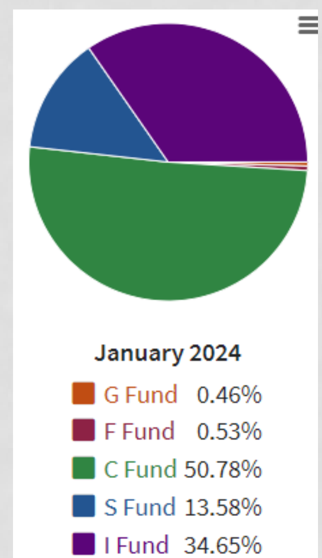
L 2050



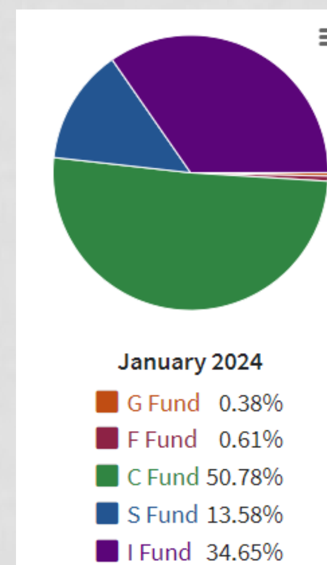
L 2055



L 2060



L 2065



THE INDIVIDUAL FUNDS

The TSP has five individual investment funds:

- **The Government Securities Investment (G) Fund** - The G Fund is invested in short-term U.S. Treasury securities. It gives you the opportunity to earn rates of interest similar to those of long-term Government securities with no risk of loss of principal. Payment of principal and interest is guaranteed by the U.S. Government. The interest rate paid by the G Fund securities is calculated monthly, based on the market yields of all U.S. Treasury securities with 4 or more years to maturity.
- **The Fixed Income Index Investment (F) Fund** - The F Fund is invested in a bond index fund that tracks the Bloomberg Barclays U.S. Aggregate Bond Index. This is a broad index representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market. This fund offers you the opportunity to earn rates of return that exceed money market fund rates over the long term (particularly during periods of declining interest rates).
- **The Common Stock Index Investment (C) Fund** - The C Fund is invested in a stock index fund that tracks the Standard & Poor's 500 (S&P 500) Index. This is a broad market index made up of the stocks of 500 large to medium-sized U.S. companies. It offers you the potential to earn the higher investment returns associated with equity investments.
- **The Small Capitalization Stock Index (S) Fund** - The S Fund is invested in a stock index fund that tracks the Dow Jones U.S. Completion Total Stock Market (TSM) Index. This is a market index of small and medium-sized U.S. companies that are not included in the S&P 500 Index. It offers you the opportunity to earn potentially higher investment returns that are associated with "small cap" investments. The S Fund has greater volatility than the C Fund.
- **International Stock Index Investment (I) Fund** - The I Fund is invested in a stock index fund that tracks the MCSI EAFE (Europe, Australasia, Far East) Index. This is a broad international market index, made up of primarily large companies in 22 developed countries. It gives you the opportunity to invest in international stock markets and to gain a global equity exposure in your portfolio.

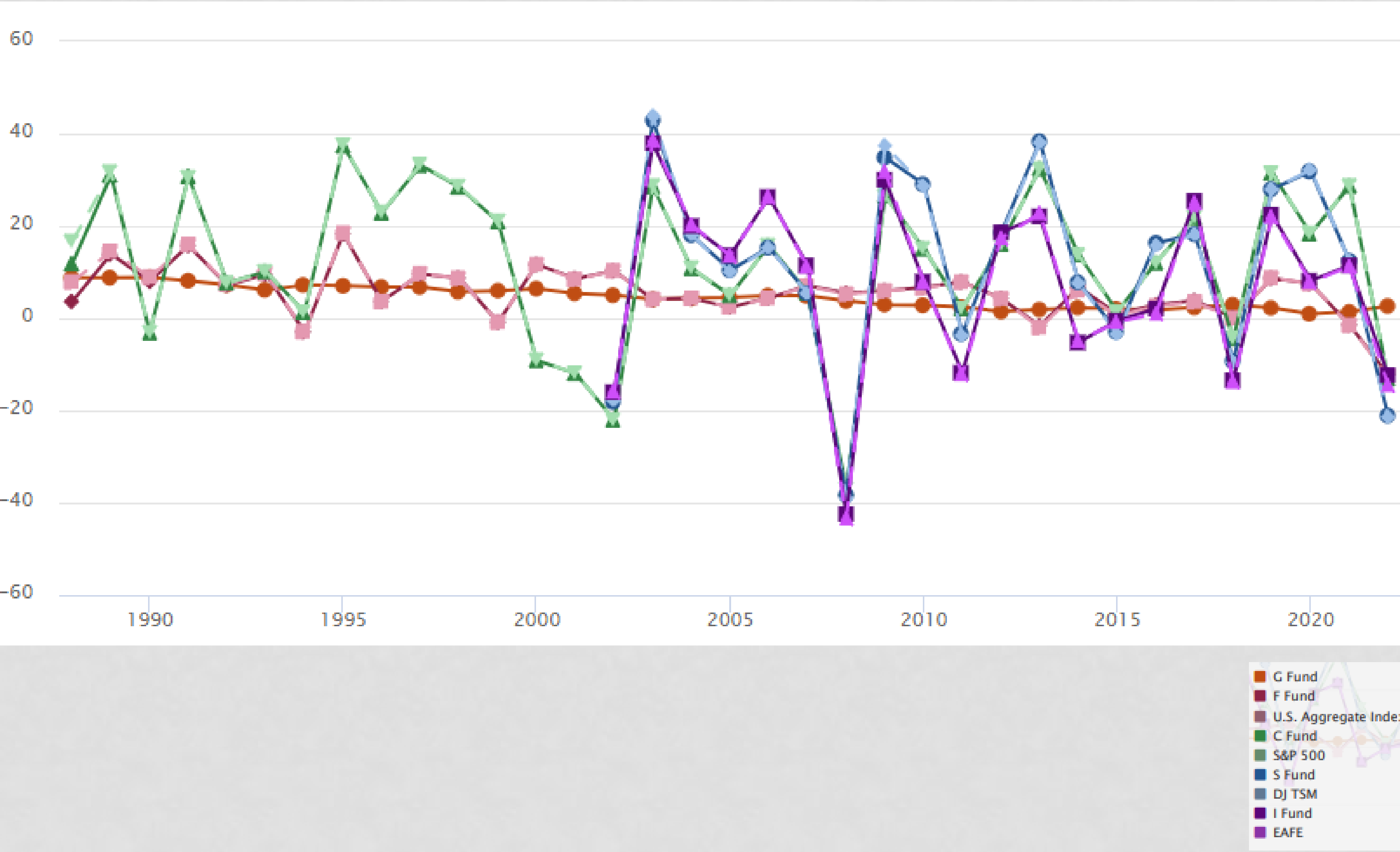
RECENT INVESTMENT RETURNS FOR THE TSP FUNDS

Rates of return (as of December 31,2023)

Year	G Fund Bonds/US Govt Short Term	F Fund Bonds/US Intermediate	C Fund Stocks- Large US Companies (S&P 500)	S Fund Stocks – Small and Medium US Companies	I Fund Stocks - International
Inception date	4/1/1987	1/29/1988	1/29/1988	5/1/2001	5/1/2001
1 year	4.22%	5.58%	26.25%	25.30%	18.38%
3 year	2.86%	-3.21%	9.97%	1.28%	4.32%
5 year	2.35%	1.16%	15.65%	11.88%	8.51%
10 year	2.32%	2.02%	12.03%	8.64%	4.63%
Since inception	4.66%	5.36%	10.81%	9.01%	5.05%

TSP ANNUAL RETURNS

INDIVIDUAL FUND (G, F, C, S, & I) ANNUAL RETURNS



ASSET ALLOCATION
CHOOSING YOUR INVESTMENT MIX

If you decide not to invest in the L Funds and you would rather choose your own investment mix from the G, F, C, S, and I Funds, remember that your investment allocation is one of the most important factors affecting the growth of your account. If you prefer this approach, keep the following points in mind:

Consider both risk and return. Over a long period of time, the F Fund (bonds) and the C, S, and I Funds (stocks) have higher potential returns than the G Fund (Government securities). But stocks and bonds also carry the risk of investment losses, which the G Fund does not. On the other hand, investing entirely in the G Fund may not give you the returns you need to keep up with inflation or meet your financial needs.

You need to be comfortable with the amount of risk you expect to take. Your investment comfort zone should allow you to use a "buy and hold" strategy so that you are not chasing market returns during upswings, or abandoning your investment strategy during downswings.

You can reduce your overall risk by diversifying your account. The five individual TSP funds offer a broad range of investment options, including Government securities, bonds, and domestic and foreign stocks. Generally, it's best not to put "all of your eggs in one basket."

The amount of risk you can sustain depends upon your investment time horizon. The more time you have before you need to withdraw your account, the more risk you can take. (This is because early losses can be offset by later gains.)

Periodically review your investment choices. Check the distribution of your account balance among the funds to make sure that the mix you chose is still appropriate for your situation. If not, rebalance your account to get the allocation you want. You can rebalance your account by making an interfund transfer*

**When you make an interfund transfer, you choose the new percentage you want invested in each fund. You cannot move specific dollar amounts among the funds. Also, you cannot move specific types of money among the funds*

UNDERSTANDING THE 4% WITHDRAWAL RULE

The Trinity University study (one of the most widely-cited papers in retirement planning) aims to cut through all of that complexity and boil down drawdown strategies down to a single number. If an investor withdraws a fixed percentage of their assets annually for retirement expenses, what is the likelihood that they will outlive their savings?

The 4% withdrawal rate and a 50/50 or 75/25 portfolio gives excellent portfolio success rates:

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%

You need to have significant stock exposure during retirement

Most investors assume that in retirement, you need to become extra conservative in your investments to avoid big market losses. It turns out that the opposite is true. According to the results of this study, a 50/50 portfolio would be the minimum stock allocation to maintain a high portfolio success rate using a 4% withdrawal rate. A 75/25 portfolio could potentially have a higher portfolio success rate and end of retirement portfolio value. A 100% bond portfolio fails more than half the time using the 4% withdrawal rule.

ASSET ALLOCATION

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

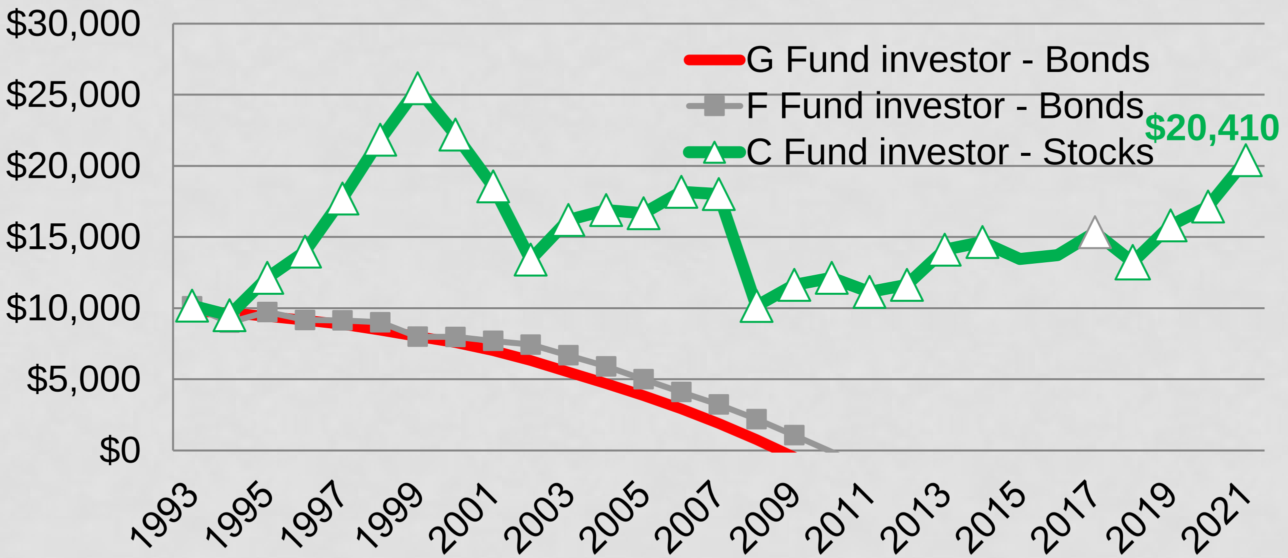
HAVE YOU HEARD….

The CLOSER you get to retirement

The MORE conservative you get

LOSS OF PURCHASING POWER: WHAT HAPPENS WHEN YOU START SPENDING?

Example: At the beginning of 1993, retirees Bill, Jack and Mary each have $10,000 in the TSP. They each invest in one fund: Bill in G, Jack in F and Mary in C. They annually withdraw enough to buy 2000 first class stamps (after paying taxes of 30%).



Note: This is for illustration purposes only. Past performance is no guarantee of future performance. All investments involve the risk of loss. The data assumes reinvestment of all income.

ASSET ALLOCATION

Stocks	Bonds
84%	16%
64%	36%
20%	80%

Sequence of Returns Risk

PROBLEM

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.	Average ROR	12.98%	$1,514,547	DEPLETED

COMPARE

1973 - 1991

1991 - 1973

Figure 2: Forward running return sequence of $1,000,000 – S&P 500 portfolio with annual withdrawals of $79,713
Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

Sequence of Returns Risk

PROBLEM

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	31.84%	$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.	**Average ROR**	**12.98%**	**$1,514,547**	**$3,719,986**

COMPARE

1973 - 1991

1991 - 1973

Figure 3: Backward running return sequence of $1,000,000 - S&P 500 portfolio with annual withdrawals of $79,713
Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

Sequence Defense

SOLUTION

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

Year	BOY Balance	Return	Withdrawal	EOY Balance
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.	**Average ROR**	12.98%	$1,115,982	**$2,892,002**

COMPARE

NO DEFENSE

WITH DEFENSE

$398,565 funded from Sequence Defense Resources. Total withdrawal of $1,514,547.

Figure 6: Same sequence with withdrawals from portfolio in green. Sequence Defense employed following down year. Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

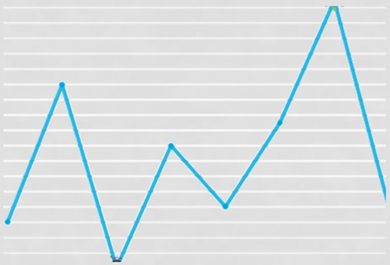
Portfolio

$500,000

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

IRA IRA

Market Sensitive



Ø

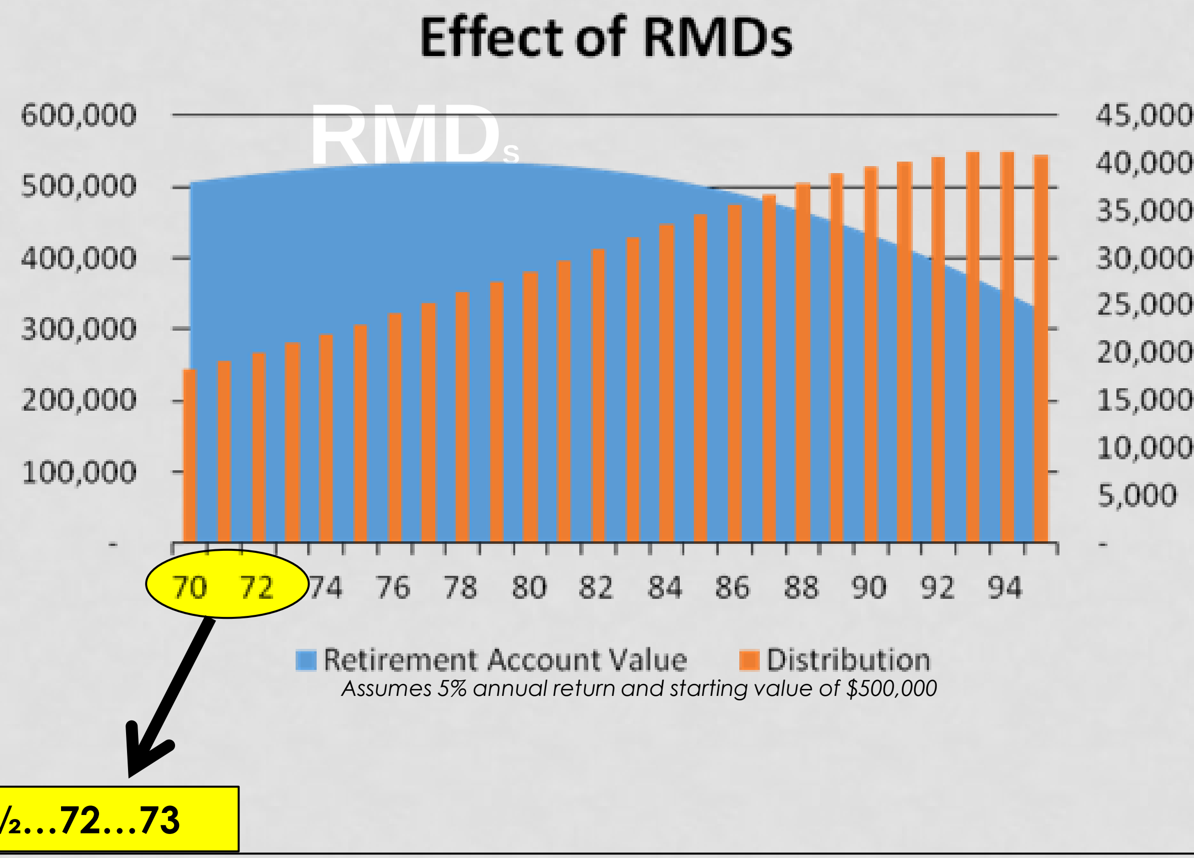
Principle Protection

TOTAL

$

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

- **If you were born on July 1, 1949, or later,** you do not have to take an RMD until age 72. **If you were born before that,** you fall under the old RMD rules, and you'll be forced to withdraw money (whether you need it or not) every year starting after age 70½.
- ***The penalty for not taking an RMD on time is 50% of the required distribution amount***
- **Timing and calculations:**
  - **You must take an RMD each calendar year. Calculate the RMDs by dividing the account value on December 31 of the previous year by your "life expectancy." The result is that year's RMD. You must withdraw that amount during the calendar year.**
  - **Life expectancy is found on an IRS Uniform Lifetime Table for Calculating RMDs. Use age as of December 31st for the year you are calculating the distribution.**
  - **Everyone uses this table except owners whose spouses are more than 10 years younger. They use the Joint Life Expectancy Table, which normally produces lower required distributions.**
- **Some exceptions:**
  - **The first withdrawal may be postponed until April 1 of the following year.**
  - **Federal employees do not have to start TSP RMDs until they leave Federal service. However, they must start IRA RMDs.**
  - **There are no RMDs for Roth IRAs.**
- **Example:**
  - **TSP account was worth $100,000 at the end of last year.**
  - **Retiree turns 75 this year. The Uniform Table indicates a life expectancy of 22.9 years.**
  - **The RMD is $4367 ($100,000/22.9) and must be made by the end of the year.**
- **Multiple accounts:**
  - **Multiple IRAs -- All of the RMDs can be taken from one IRA or a portion from all.**
  - **Multiple qualified retirement plans (TSP, 401(k), 403(b), etc.) -- Calculate the RMD for each plan and take the RMD from each plan.**



NOTE:
The age for withdrawing from retirement accounts was increased in 2020 to 72 from 70.5. (Note that the SECURE 2.0 Act will raise the age for RMDs to 73 for those who turn 72 in 2023.) Therefore, your first RMD must be taken by April 1 of the year after which you turn 72 (73 in 2023). After that your RMDs must be taken by December 31 of each year.

WHICH RMD TO USE?

NO RMD's for ROTH TSP/401(k)

Age	Individuals impacted	Effective Year
Age 72 (or 70 1/2)	**Born 1950 or earlier**	-
Age 73	**Born 1951 – 1959**	2023
Age 75	**Born 1960 or later**	2033

RMD

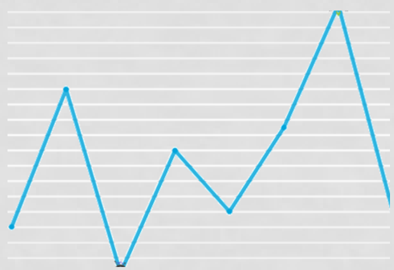
TSP	IRA	IRA
$100,000	$100,000	$100,000
x 4% ↓ $4,000	x 4% ↓ $4,000	x 4% ↓ $4,000

RMD

TSP	IRA	IRA
$100,000	$100,000	$100,000
x 4% $4,000	x 4% $8,000	

IRA IRA

Market Sensitive



∅

Principle Protection

TOTAL

$

ROTH OR REGULAR TSP?

You can choose between two tax treatments for your TSP contributions:

- Traditional (pre-tax)-You defer paying taxes on your contributions and their earnings until you withdraw them. If you are a uniformed services member making tax-exempt contributions, your contributions will be tax-free at withdrawal but your earnings will be subject to tax.
- Roth (after-tax)-You pay taxes on your contributions as you make them (unless you are making tax-exempt contributions), and your earnings are tax-free at withdrawal as long as you meet certain IRS requirements

The Treatment of…	Traditional TSP	Roth TSP
Contributions	***Pre-tax***	***After-tax***[1]
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	***Transfers*** allowed from eligible employer plans and traditional IRAs	***Transfers*** allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
Transfers Out	***Transfers*** allowed to eligible employer plans, traditional IRAs, and Roth IRAs[2]	***Transfers*** allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs[3]
Withdrawals	***Taxable*** when withdrawn	***Tax-free*** earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, permanently disabled, or deceased

Source: tsp.gov

STEP #4: UNDERSTANDING YOUR TAX PICTURE

Will you be in a Lower, Same, or Higher TAX BRACKET when you retire?

A Traditional 401(k)	B Roth 401(k)
Years ---> 1 -- 20 $18,000 @ 5% ROR ----> 401(k) = $624,947 x 4% $24,997 -$7,749 *(taxes, Fed 25% + State6%)* **$17,248.00**	Years ---> 1 -- 20 $18,000 x 25% Fed + 6% State = $12,420 @ 5% ROR ----> Roth = $431,213 x 4% **$17,248.00**

Target Retirement Income

☑ Show/Hide Target Retirement

Gross Income - Sue	$107,000	
Gross Income - Bill	$0	
	$0	
Total Gross Income	**$107,000**	

Less	
TSP/401(k)	$24,500
IRA	$6,500
Social Security	$6,634
IRA	$6,500
Mortgage	$0
College	$0
Credit Cards	$0
Debts	$0
Tax Equivalent	$0
Non/Qualfied IRA	$0
Roth	$0

Total Payments $44,134

Target Retirement Income <u>$62,866</u>

PRESENT

Total Income	$107,000

Additional Information

Sue 61-62;

Bill 61-62

Retirement Income Projections

Sue	COLA	0%	Pension	$0
	WD	0%	Social Security	$0
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	0%	0%	401k & IRA	$0
			TOTAL	$0
Bill	COLA	0%	Pension	$0
	WD	0%	Social Security	$0
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	0%	0%	IRA	$0
			TOTAL	$0
			W/D Rate from Cash Assets	$0
				$0
			Total Income at year # 1 =	$0
	0.0%		Target Retirement Income	$62,866

Employee	Match	Add.
0	2,360	0

	Regular Savings	CD's	College Savings	Rate	Future Value
	Savings 100,000			1%	101,000
				1%	0
				1%	0

Contribution		Tax Deferred	Roth	401k & IRA	Rate	Future Value
6,500 → IRA	Sue			IRA 550,000	4%	0
			roth 66,000		4%	68,640
24,500 → TSP				TSP 310,000	4%	926,640

Contribution		Tax Deferred	Roth	IRA	Rate	Future Value
	Bill				4%	0
			roth 22,000		4%	22,880
6,500 → IRA				IRA 300,000	4%	318,760

Employee	Match	Add.
0	0	37,500

0

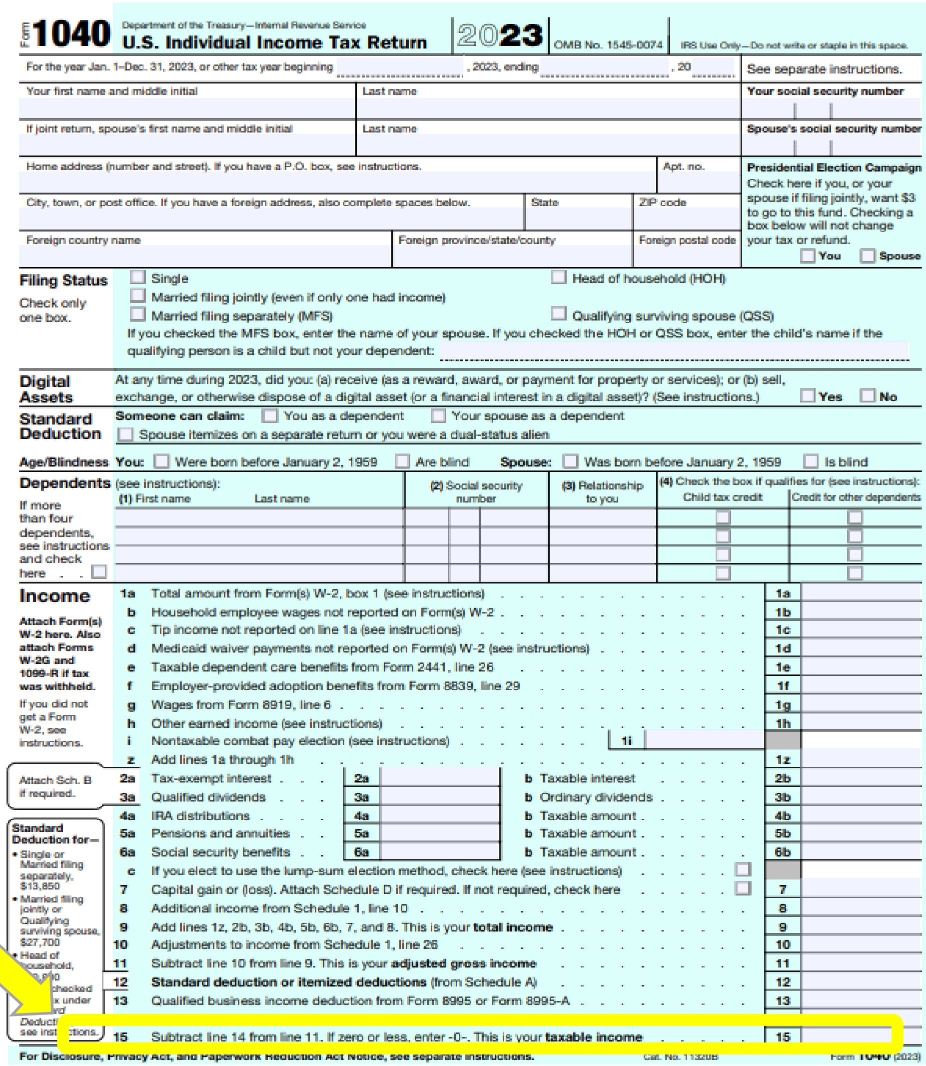
1,437,920

See what marginal tax bracket you fall into: Your Line 15: $183,000 ~ So, what marginal rate are you in now? How many of you think you will be in a lower tax bracket when you retire?

Tax brackets 2023

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	$0 to $11,000.	$0 to $22,000.	$0 to $11,000.	$0 to $15,700.
12%	$11,001 to $44,725.	$22,001 to $89,450.	$11,001 to $44,725.	$15,701 to $59,850.
22%	$44,726 to $95,375.	$89,451 to $190,750.	$44,726 to $95,375.	$59,851 to $95,350.
24%	$95,376 to $182,100.	$190,751 to $364,200.	$95,376 to $182,100.	$95,351 to $182,100.
32%	$182,101 to $231,250.	$364,201 to $462,500.	$182,101 to $231,250.	$182,101 to $231,250.
35%	$231,251 to $578,125.	$462,501 to $693,750.	$231,251 to $346,875.	$231,251 to $578,100.
37%	$578,126 or more.	$693,751 or more.	$346,876 or more.	$578,101 or more.

IRS form 1040


Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2023** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning , 2023, ending , 20 See separate instructions.

Your first name and middle initial	Last name	**Your social security number**
If joint return, spouse's first name and middle initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ **You** ☐ **Spouse**
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code	
Foreign country name	Foreign province/state/county / Foreign postal code	

Filing Status
Check only one box.
☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS)
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ **Yes** ☐ **No**

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1959 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1959 ☐ Is blind

Dependents (see instructions):
If more than four dependents, see instructions and check here ☐

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Income
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.
Attach Sch. B if required.
Standard Deduction for— • Single or Married filing separately, $13,850 • Married filing jointly or Qualifying surviving spouse, $27,700 • Head of household, $20,800 • If you checked any box under Standard Deduction, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions) 1i		
z	Add lines 1a through 1h	1z	
2a	Tax-exempt interest 2a / b Taxable interest	2b	
3a	Qualified dividends 3a / b Ordinary dividends	3b	
4a	IRA distributions 4a / b Taxable amount	4b	
5a	Pensions and annuities 5a / b Taxable amount	5b	
6a	Social security benefits 6a / b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2023)

Taxable Income

SUE RETIRE

Total Income	$107,000

Additional Information

Sue 62-70

Bill 62-70

Retirement Income Projections				
Sue	COLA	0%	Pension	$18,836
	WD	0%	Social Security	$0
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	3%	0%	401k & IRA	$31,506
			TOTAL	$50,342
Bill	COLA	0%	Pension	$0
	WD	0%	Social Security	$0
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	4%	0%	IRA	$12,750
			TOTAL	$12,750
0%	W/D Rate from Cash Assets			$0
				$0
Total Income at year # 8 =				$63,092
0.0%	Target Retirement Income			$62,866

Employee	Match	Add.
0	0	0
0	0	0

	Regular Savings	CD's	College Savings	Rate	Future Value
	Savings 101,000			1%	109,369
				1%	0
				1%	0
Sue	**Tax Deferred**	**Roth**	**401k & IRA**		
			IRA 578,760	4%	0
				4%	93,939
		roth 68,640		4%	966,258
			TSP 347,880		
Bill	**Tax Deferred**	**Roth**	**IRA**		
				4%	0
				4%	31,313
		roth 22,880		4%	314,061
			IRA 318,760		

0

Savings Type Assets Total 1,514,938

RMD & SS

Total Income	**$107,000**

Additional Information

Sue 70-100

Bill 70-100

Retirement Income Projections					
Sue	COLA	0%	Pension	$18,836
	WD	0%	Social Security	$32,000
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	4%	0%	401k & IRA	$38,650
			TOTAL	$89,486
Bill	COLA	0%	Pension	$0
	WD	0%	Social Security	$32,000
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	4%	0%	IRA	$12,562
			TOTAL	$44,562
0%			W/D Rate from Cash Assets	$0
				$0
Total Income at year # 30 =				$134,049
0.0%			Target Retirement Income	$62,866

Employee	Match	Add.
0	0	0
0	0	0

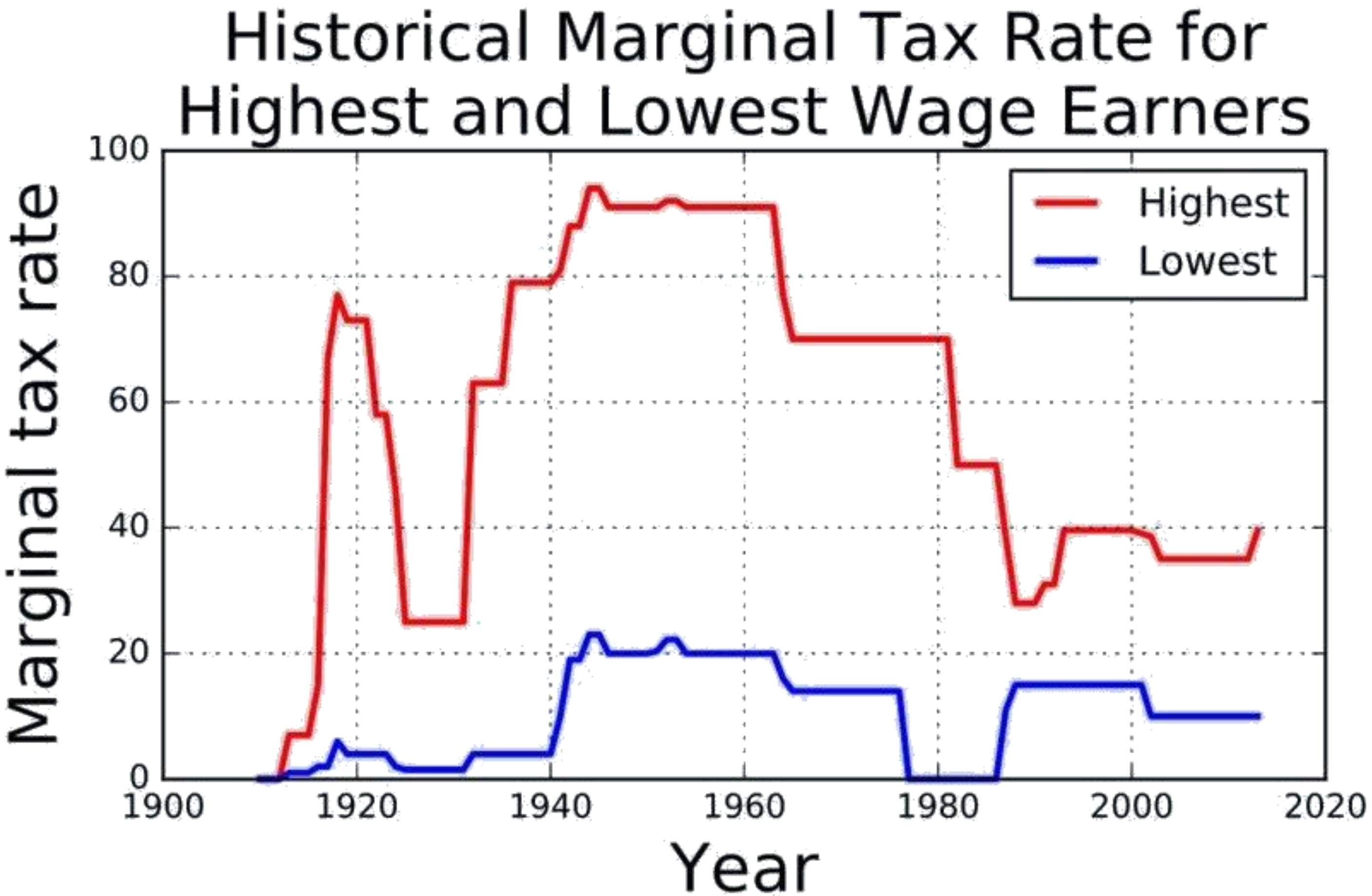
	Regular Savings		CD's		College Savings		Rate	Future Value
	Savings	109,369					1%	147,412
							1%	0
							1%	0
	Tax Deferred		Roth		401k & IRA			
Sue					IRA	603,504	4%	0
			roth	93,939			4%	304,680
					TSP	362,753	4%	879,550
	Tax Deferred		Roth		IRA			
Bill							4%	0
			roth	31,313			4%	101,560
					IRA	314,061	4%	285,878

0

Savings Type Assets Total 1,719,080

WHERE do you think taxes will be in your future?
Your opinion matters

Income tax rates



ROTH OR REGULAR TSP -- WHAT IS THE BEST CHOICE?

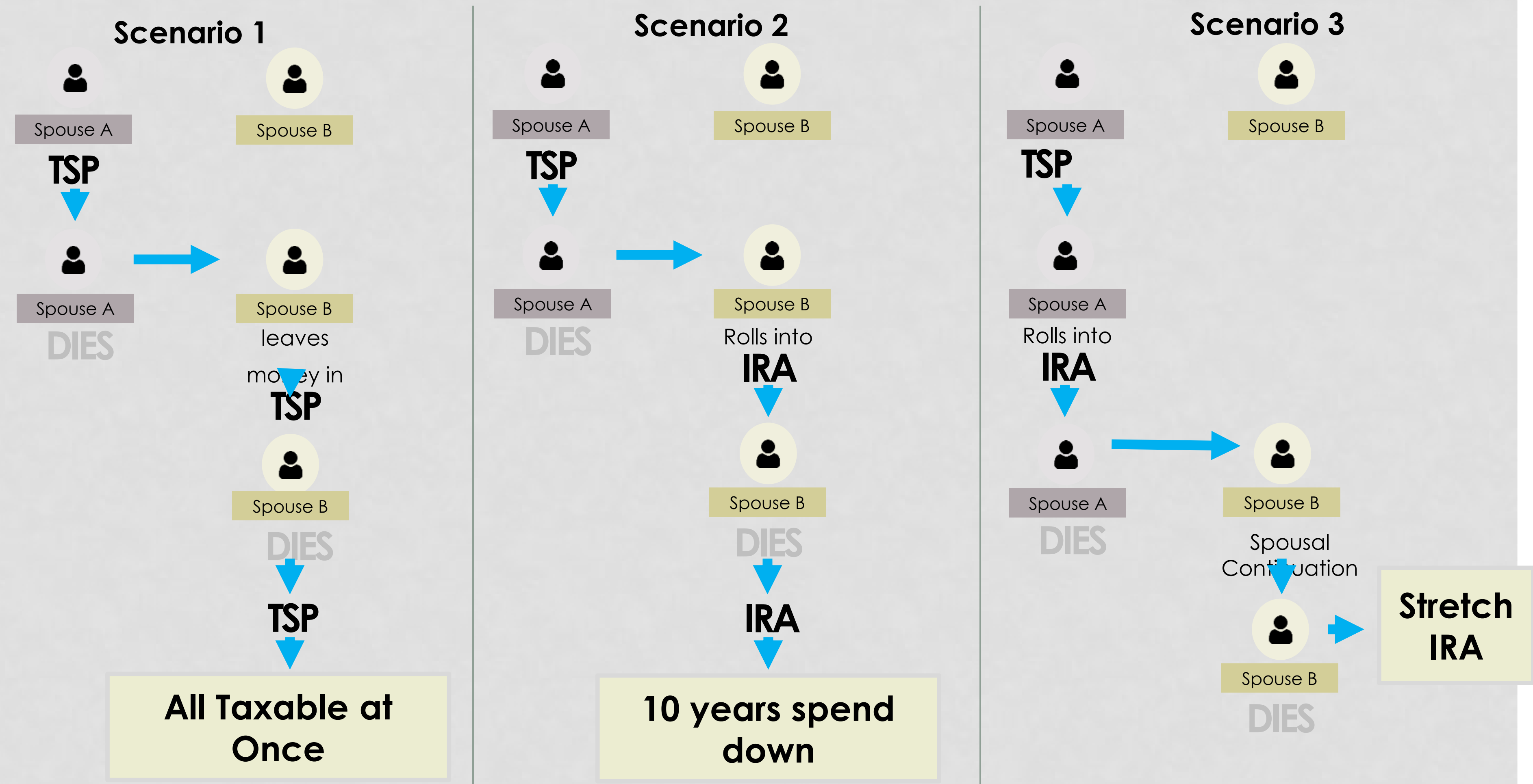
- Critical decision factors
  - Can you afford higher taxes when making the Roth contributions
  - Tax rate differential (contribution years vs. withdrawal years)
  - Time horizon for needing funds to meet annual living expenses
  - Rate of return on investments
  - Concern about benefiting heirs.
- Advantages of Roth TSP:
  - Potentially tax free withdrawals
  - Heirs inherit a tax-free asset
  - Roth withdrawals do not increase your taxable income, which may lower taxes on Social Security benefits and/or reduce Medicare premiums.

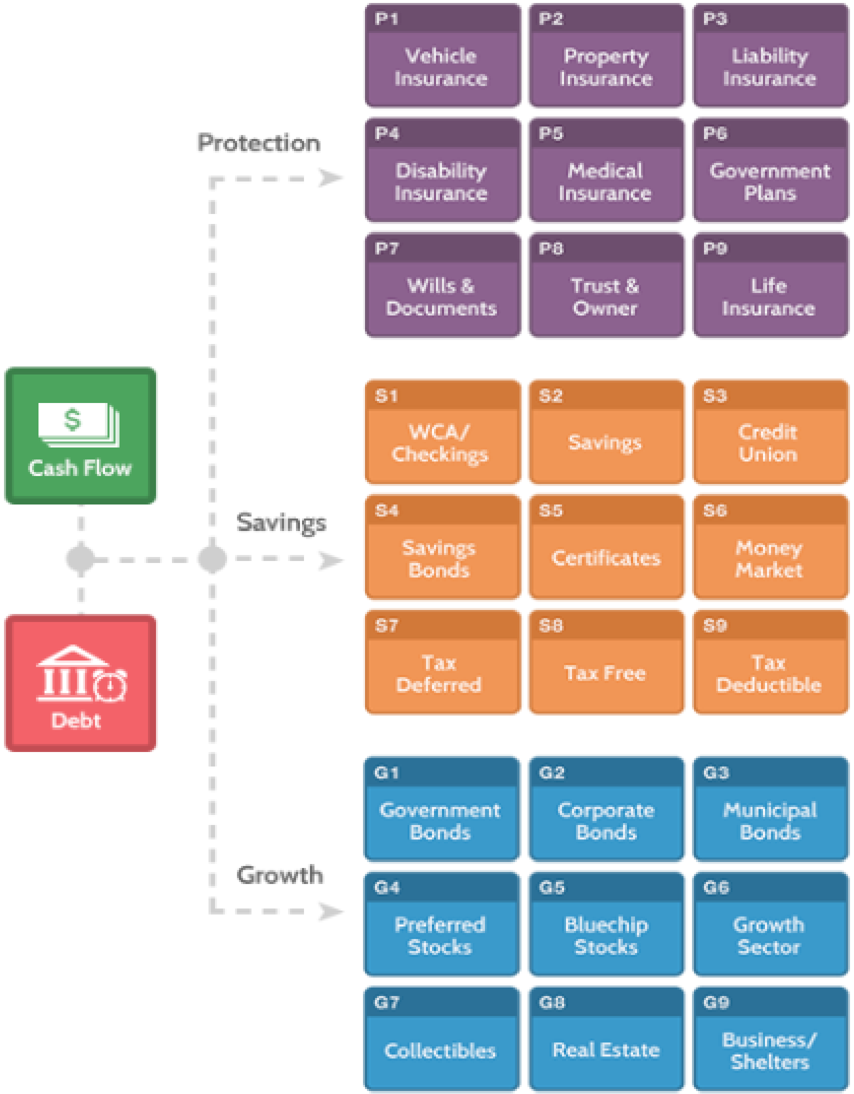
  - *Good candidates: Younger employees, those who won't need to withdraw funds for a long time, expect to be in a higher tax bracket when retired and more aggressive investors.*
- Disadvantages of Roth TSP:
  - Paying taxes early
  - Five year holding period before withdrawals are tax free
  - Higher taxable income may reduce eligibility for some tax credits and deductions while you are working.

  - *Bad candidates: Will be in a lower tax bracket when funds are withdrawn, expect to need funds from TSP soon, conservative investors.*

STRETCH IRA IS BACK!

SECURE ACT 2.0




Cash Flow
Debt
Protection
Savings
Growth
P1
Vehicle Insurance
P2
Property Insurance
P3
Liability Insurance
P4
Disability Insurance
P5
Medical Insurance
P6
Government Plans
P7
Wills & Documents
P8
Trust & Owner
P9
Life Insurance
S1
WCA/ Checkings
S2
Savings
S3
Credit Union
S4
Savings Bonds
S5
Certificates
S6
Money Market
S7
Tax Deferred
S8
Tax Free
S9
Tax Deductible
G1
Government Bonds
G2
Corporate Bonds
G3
Municipal Bonds
G4
Preferred Stocks
G5
Bluechip Stocks
G6
Growth Sector
G7
Collectibles
G8
Real Estate
G9
Business/ Shelters

SOFA

THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsofa.org

Thank you for your time today. Kindly fill out our feedback survey:

https://www.surveymonkey.com/r/DCSOFASURVEY