



THE SOCIETY FOR FINANCIAL AWARENESS  
DC Metropolitan Chapter [www.dcsdfa.org](http://www.dcsdfa.org)

## INVESTING IN THE TSP



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# WHAT IS THE TSP? = Thrift Savings Plan

The TSP is a defined contribution plan that allows you to invest in stocks, bonds *and* the G Fund.

## Why

- **Pre-tax:** Contributions taken out before taxes withheld, reducing taxable income.
- **Tax deferral:** Taxes are deferred until you withdraw your money.
- For FERS employees: an **integral part** of your retirement package, along with your FERS Basic Annuity and Social Security.
- For CSRS employees: a **supplement** to the CSRS annuity.



## Note

- Your TSP retirement income **depends** on how much is contributed and earned during your working years.
- The value of your account and the amount of benefits are **not guaranteed**.
- Contributions are **voluntary**
- **Separate** from your contributions to your FERS Basic Annuity or CSRS annuity.

# Traditional & ROTH TSP

## 2 Options

- **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
<b>Contributions</b>	<i>Pre-tax</i>	<i>After-tax</i> <sup>1</sup>
<b>Your Paycheck</b>	<i>Taxes are deferred*</i> , so less money is taken out of your paycheck.	<i>Taxes are paid up front*</i> , so more money comes out of your paycheck.
<b>Transfers In</b>	<i>Transfers</i> allowed from eligible employer plans and traditional IRAs	<i>Transfers</i> allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
<b>Transfers Out</b>	<i>Transfers</i> allowed to eligible employer plans, traditional IRAs, and Roth IRAs <sup>2</sup>	<i>Transfers</i> allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs <sup>3</sup>
<b>Withdrawals</b>	<i>Taxable</i> when withdrawn	<i>Tax-free</i> 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

# To Clear Up the Confusion

## ROTH TSP vs. ROTH IRA

	Roth TSP	Roth IRA	
Required Minimum Distributions	No	No	Phase Out!!!!
Income Limitation for Contributions	No	Yes	Single/Head of Household: \$146,000-\$161,000 Married Filing Joint: \$230,000 - \$240,000
Annual Maximum Contributions	\$23,500	\$7,000	
Catch Up Provision 50+	\$7,500	\$1,000	
Total Potential Annual Contribution	\$31,000	\$8,000	

# TSP Fund Basics:

## Two approaches to investing your money:

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

**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.

# 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
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Stocks, bonds and G (savings). The Lifecycle Funds are composed of various combinations of the G, F, C, S and I funds.

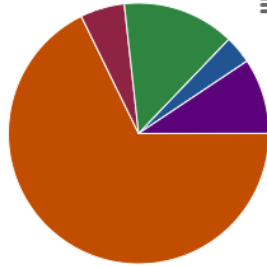
## The Traditional Funds

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



# L FUNDS ALLOCATION COMPARISON

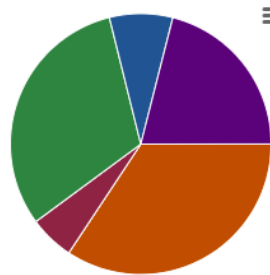
## L Income



April 2025

G Fund 67.76%  
F Fund 5.49%  
C Fund 13.92%  
S Fund 3.47%  
I Fund 9.36%

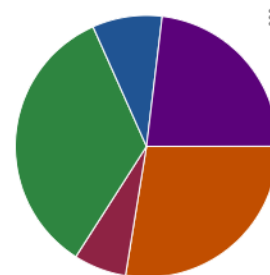
## L 2030



April 2025

G Fund 34.32%  
F Fund 5.56%  
C Fund 31.25%  
S Fund 7.83%  
I Fund 21.04%

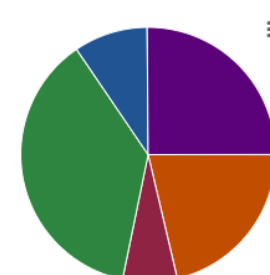
## L 2035



April 2025

G Fund 27.56%  
F Fund 6.50%  
C Fund 34.26%  
S Fund 8.60%  
I Fund 23.08%

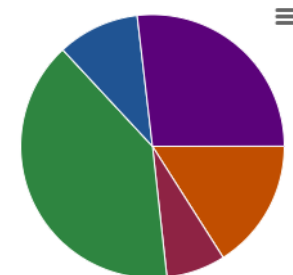
## L 2040



April 2025

G Fund 21.32%  
F Fund 6.92%  
C Fund 37.27%  
S Fund 9.38%  
I Fund 25.11%

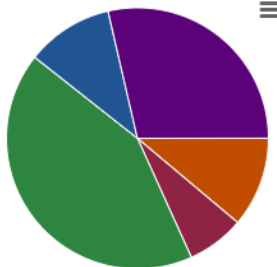
## L 2045



April 2025

G Fund 15.99%  
F Fund 7.26%  
C Fund 39.84%  
S Fund 10.05%  
I Fund 26.86%

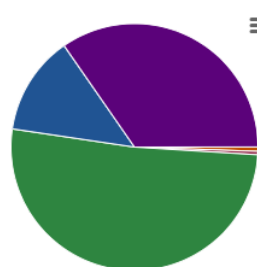
## L 2050



April 2025

G Fund 11.16%  
F Fund 7.09%  
C Fund 42.42%  
S Fund 10.72%  
I Fund 28.61%

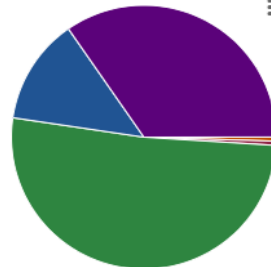
## L 2055



April 2025

G Fund 0.55%  
F Fund 0.45%  
C Fund 51.36%  
S Fund 12.99%  
I Fund 34.65%

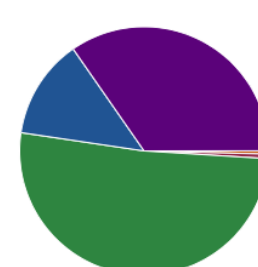
## L 2060



April 2025

G Fund 0.49%  
F Fund 0.51%  
C Fund 51.36%  
S Fund 12.99%  
I Fund 34.65%

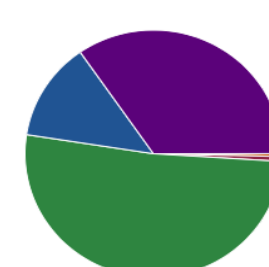
## L 2065



April 2025

G Fund 0.42%  
F Fund 0.58%  
C Fund 51.36%  
S Fund 12.99%  
I Fund 34.65%

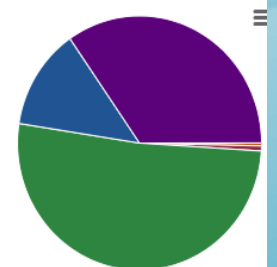
## L 2070



April 2025

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

## L 2075



April 2025

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 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%



# ASSET CLASS RETURNS QUILT

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Return (2008 - 2022)	Risk (2008 - 2022)
U.S. Core Bond 5.24%	Intl Emerging 79.02%	Real Estate 28.07%	Real Estate 9.37%	Intl Emerging 18.63%	U.S. Small Cap 41.31%	Real Estate 32.00%	Real Estate 4.48%	U.S. Small Cap 26.56%	Intl Emerging 37.75%	Cash Alt. 1.82%	U.S. Large Cap Blend 31.49%	Intl Emerging 18.69%	Real Estate 45.91%	Comdty. 16.09%	U.S. Small Cap 8.89%	Real Estate 26.23%
Cash Alt. 1.77%	U.S. Mid Cap 37.38%	U.S. Mid Cap 26.64%	U.S. Core Bond 7.84%	Intl Devlpd. 17.90%	U.S. Mid Cap 33.50%	U.S. Large Cap Blend 13.69%	U.S. Large Cap Blend 1.38%	U.S. Mid Cap 20.74%	Intl Devlpd. 25.62%	U.S. Core Bond 0.01%	U.S. Mid Cap 26.20%	U.S. Large Cap Blend 18.40%	U.S. Large Cap Blend 28.71%	Cash Alt. 1.52%	U.S. Mid Cap 8.87%	U.S. Small Cap 23.00%
Diversified Portfolio -25.00%	Intl Devlpd. 32.46%	U.S. Small Cap 26.31%	U.S. Large Cap Blend 2.11%	U.S. Mid Cap 17.88%	U.S. Large Cap Blend 32.39%	U.S. Mid Cap 9.77%	U.S. Core Bond 0.55%	U.S. Large Cap Blend 11.96%	U.S. Large Cap Blend 21.83%	Real Estate -4.22%	Real Estate 23.10%	Diversified Portfolio 13.83%	Comdty. 27.11%	U.S. Core Bond -13.01%	U.S. Large Cap Blend 8.81%	Intl Emerging 22.69%
U.S. Small Cap -31.07%	Real Estate 28.46%	Intl Emerging 19.20%	U.S. Small Cap 1.02%	Real Estate 17.12%	Intl Devlpd. 23.29%	U.S. Core Bond 5.97%	Cash Alt. 0.03%	Comdty. 11.77%	U.S. Mid Cap 16.24%	U.S. Large Cap Blend -4.38%	U.S. Small Cap 22.78%	U.S. Mid Cap 13.66%	U.S. Small Cap 26.82%	U.S. Mid Cap -13.06%	Real Estate 5.52%	U.S. Mid Cap 21.39%
Comdty. -35.65%	U.S. Large Cap Blend 26.46%	Comdty. 16.83%	Cash Alt. 0.07%	U.S. Small Cap 16.33%	Diversified Portfolio 12.68%	U.S. Small Cap 5.76%	Intl Devlpd. -0.39%	Intl Emerging 11.60%	Diversified Portfolio 13.77%	Diversified Portfolio -5.22%	Intl Devlpd. 22.66%	U.S. Small Cap 11.29%	U.S. Mid Cap 24.76%	Intl Devlpd. -14.01%	Diversified Portfolio 4.65%	Intl Devlpd. 19.50%
U.S. Mid Cap -36.23%	U.S. Small Cap 25.57%	U.S. Large Cap Blend 15.06%	Diversified Portfolio -0.83%	U.S. Large Cap Blend 16.00%	Real Estate 1.22%	Diversified Portfolio 5.29%	Diversified Portfolio -0.66%	Real Estate 6.68%	U.S. Small Cap 13.23%	U.S. Small Cap -8.48%	Diversified Portfolio 19.81%	Intl Devlpd. 8.28%	Intl Devlpd. 11.78%	Diversified Portfolio -15.78%	U.S. Core Bond 2.66%	U.S. Large Cap Blend 17.58%
U.S. Large Cap Blend -37.00%	Diversified Portfolio 23.47%	Diversified Portfolio 11.09%	U.S. Mid Cap -1.73%	Diversified Portfolio 11.87%	Cash Alt. 0.05%	Cash Alt. 0.02%	U.S. Small Cap -1.97%	Diversified Portfolio 6.28%	Real Estate 3.76%	U.S. Mid Cap -11.08%	Intl Emerging 18.88%	U.S. Core Bond 7.51%	Diversified Portfolio 10.48%	U.S. Small Cap -16.10%	Intl Devlpd. 2.29%	Comdty. 17.37%
Real Estate -39.20%	Comdty. 18.91%	Intl Devlpd. 8.21%	Intl Devlpd. -11.73%	U.S. Core Bond 4.21%	U.S. Core Bond -2.02%	Intl Emerging -1.82%	U.S. Mid Cap -2.18%	U.S. Core Bond 2.65%	U.S. Core Bond 3.54%	Comdty. -11.25%	U.S. Core Bond 8.72%	Cash Alt. 0.54%	Cash Alt. 0.04%	U.S. Large Cap Blend -18.11%	Intl Emerging 1.00%	Diversified Portfolio 11.40%
Intl Devlpd. -43.06%	U.S. Core Bond 5.93%	U.S. Core Bond 6.54%	Comdty. -13.32%	Cash Alt. 0.08%	Intl Emerging -2.27%	Intl Devlpd. -4.48%	Intl Emerging -14.60%	Intl Devlpd. 1.51%	Comdty. 1.71%	Intl Devlpd. -13.36%	Comdty. 7.69%	Comdty. -3.12%	U.S. Core Bond -1.54%	Intl Emerging -19.74%	Cash Alt. 0.63%	U.S. Core Bond 4.16%
Intl Emerging -53.18%	Cash Alt. 0.15%	Cash Alt. 0.13%	Intl Emerging -18.17%	Comdty. -1.06%	Comdty. -9.52%	Comdty. -17.01%	Comdty. -24.66%	Cash Alt. 0.26%	Cash Alt. 0.82%	Intl Emerging -14.24%	Cash Alt. 2.21%	Real Estate -11.20%	Intl Emerging -2.22%	Real Estate -25.96%	Comdty. -2.60%	Cash Alt. 0.25%

Data Source: YCharts. Total Returns are used for each index/model

\* Return represents the average annual return during the period shown.

\*\* Risk is represented by Standard Deviation, which is the measure of the total volatility in a portfolio. It shows how widely a portfolio's returns have varied around the average over a period of time.

# TSP Fund - 2

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%		

# ASSET ALLOCATION

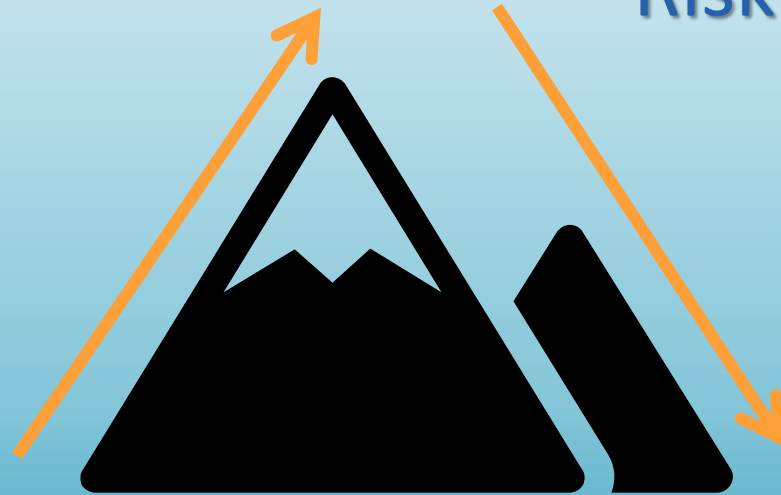
## Choosing Your Investment Mix

*Consider...*

Risk and Return

Buy and Hold

Diversify



F, C, S, I



G



Time = Sustained Risk

Review and Rebalance



# Understanding the 4% Withdrawal Rule

If an investor withdraws a fixed percentage of their assets annually for retirement expenses, what is the likelihood that they will 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%

# Step #1:

## Understanding Your Target Retirement Income (TRI)

Gross Income - Spouse A	\$150,000
Gross Income - Spouse B	\$100,000
	\$0
<b>Total Gross Income</b>	<b>\$250,000</b>

<b>Less</b>	
TSP/401(k)	\$27,000
TSP/401(k)	\$27,000
Social Security	\$17,540
Savings	\$0
Mortgage	\$0
Roth TSP	\$0
Roth	\$0
Non/Qualified IRA	\$0
College	\$0
Credit Cards	\$0
Tax Equivalent	\$0

**Total Payments** **\$71,540**

**Target Retirement Income** **\$178,460**

## Step #2: Understanding Your Investment Income Need

Target Retirement Income	\$178,460
Social Security	(\$52,775)
Pension	(\$67,511)
<b>Investment Income Needed</b>	<b>\$58,174</b>



# Conventional

Additional Information				Employee	Match	Add.	Regular Savings	CD's	College Savings	Rate Future Value			
Taxable Income										1%	0		
Risk Score										1%	0		
										4%	0		
Retirement Income Pro				Calculate									
Spouse A 67 to 71							Spouse A						
WD	0.0%	Pension	\$35,000				Tax Deferred	Tax Free	Tax Deductible				
COLA	0.0%	Social Security	\$37,500							4%	0		
	0.0%	Tax Deferred	\$0							4%	0		
	0.0%	Tax Free	\$0							4%	1,232,549		
	3.4%	Tax Deductible	\$41,097										
TOTAL			\$113,597						TSP	1,208,733			
Spouse B 68 to 72							Spouse B						
COLA	0.0%	Pension	\$0				Tax Deferred	Tax Free	Tax Deductible				
WD	0.0%	Social Security	\$32,000							4%	0		
	0.0%	Tax Deferred	\$0							4%	0		
	0.0%	Tax Free	\$0							4%	960,001		
	3.5%	Tax Deductible	\$33,094						401(k)	945,547			
TOTAL			\$65,094										
W/D Rate from Cash Assets			\$0			0	0	0	Savings Type Assets Total			2,192,551	
Total Income at year # 4 =				\$178,691					Rate Future Value				
0.0% Target Retirement Income				\$178,460									
Debt Window													
Type of Loan	\$ /Month P&I	\$ Unpaid Balance	% Rate	Months to Pay				Government Bonds	Corporate Bonds	Municipal Bonds			
											5%	0	
											5%	0	
											5%	0	
								Preferred Stocks	Blue Chip Stocks	Growth Securities			
											5%	0	
											5%	0	
											4%	0	
Additional Information									Real Estate	Primary	Trust		
									Growth Type Assets Total			0	
									Total Cash Assets			2,192,551	

# Asset Allocation

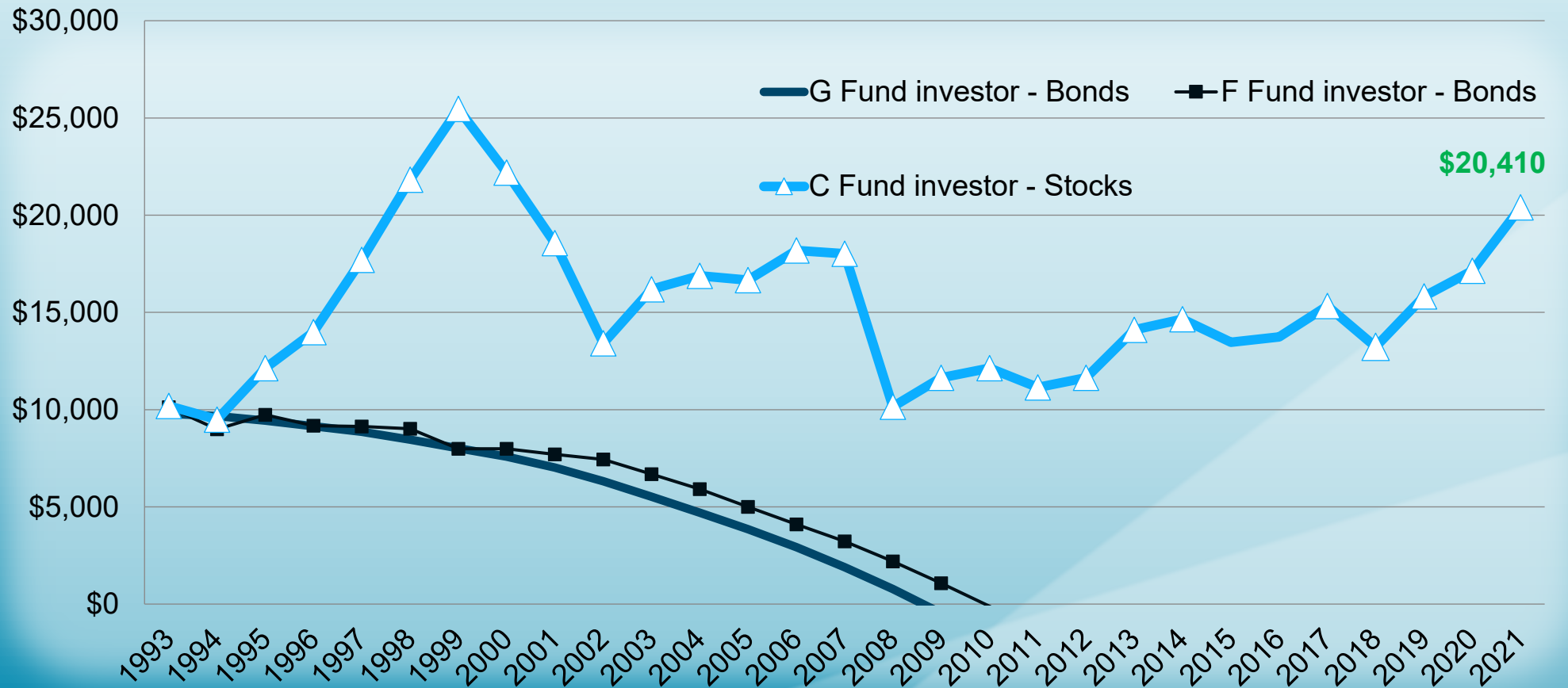
Lifecycle Fund	Stocks	Bonds
L-2050	84%	16%
L-2030	64%	36%
L-Income	25%	75%

# 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.*

# Problem: Sequence of Return Risk

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.

# Problem: Sequence of Return Risk

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.



# Solution: Sequence Defense

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

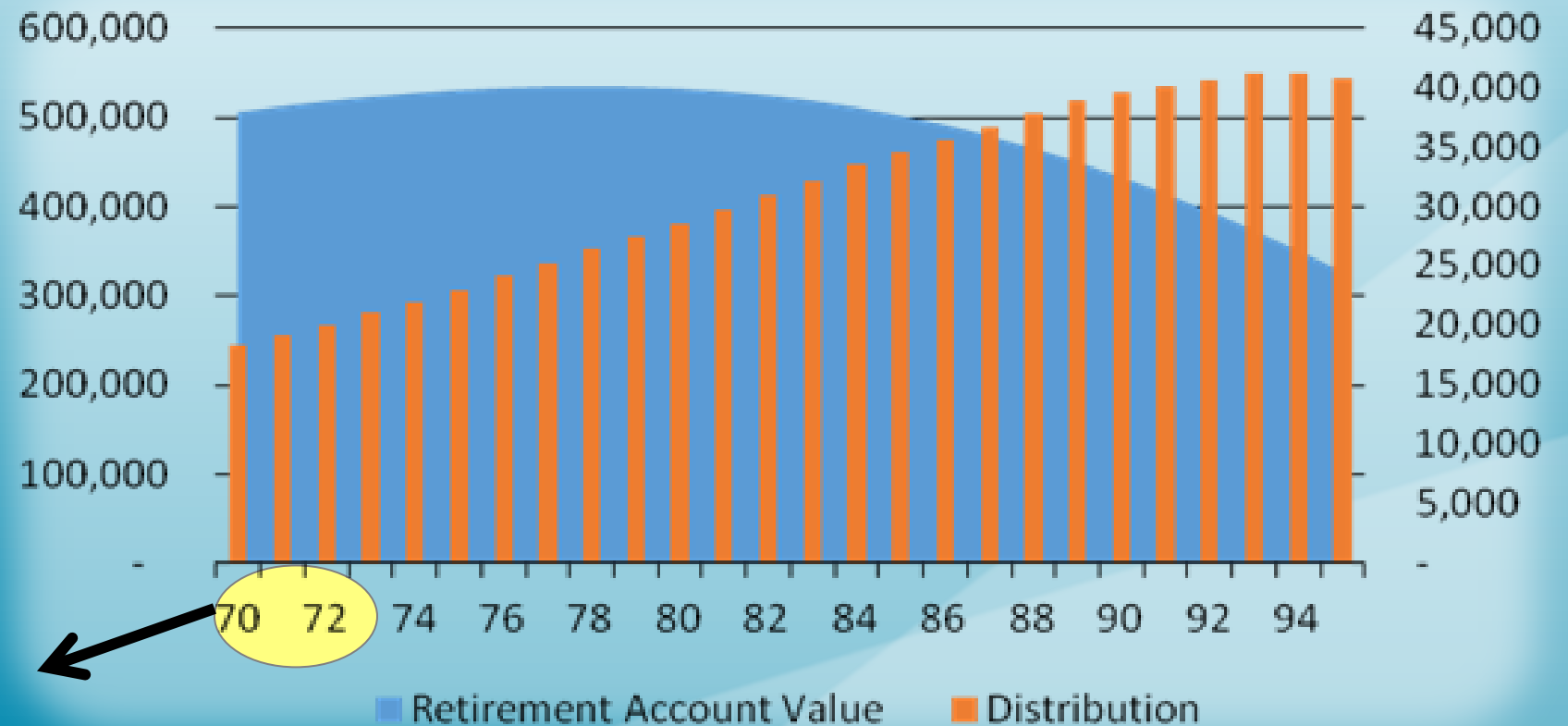
# Which RMD to use?

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

# RMDs Increase...

*Assumes 5% annual  
return and starting  
value of \$500,000*

## Effect of RMDs



**AGE 70 1/2...72...73**

**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.

# Traditional & ROTH TSP

## 2 Options

- **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
<b>Contributions</b>	<i>Pre-tax</i>	<i>After-tax</i> <sup>1</sup>
<b>Your Paycheck</b>	<i>Taxes are deferred*</i> , so less money is taken out of your paycheck.	<i>Taxes are paid up front*</i> , so more money comes out of your paycheck.
<b>Transfers In</b>	<i>Transfers</i> allowed from eligible employer plans and traditional IRAs	<i>Transfers</i> allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
<b>Transfers Out</b>	<i>Transfers</i> allowed to eligible employer plans, traditional IRAs, and Roth IRAs <sup>2</sup>	<i>Transfers</i> allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs <sup>3</sup>
<b>Withdrawals</b>	<i>Taxable</i> when withdrawn	<i>Tax-free</i> 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

# STEP #4: Understanding Your Tax Picture

**Will you be in a**

- **Lower**
- **Same**
- **Higher**

**TAX BRACKET when you retire?**

## A Traditional TSP

Years ---> 1 -- 20

\$18,000 @ 5% ROR → 401(k)



Accumulated: **\$624,947**

X 4% W/D

---

\$24,997

(taxes, Fed 25% + State 6%) - **\$7,749**

---

**\$17,248.00**

## B Roth/Roth TSP

Years ---> 1 -- 20

\$18,000 x 25% Fed + 6% State =  
\$12,420 @ 5% ROR → Roth



Accumulated: **\$431,213**

X 4% W/D

---

**\$17,248.00**



# ROTH OR Traditional 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.*

# Target Retirement Income

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/Qualified IRA	\$0
Roth	\$0

Total Payments	\$44,134
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Target Retirement Income	<u>\$62,866</u>
--------------------------	-----------------

# Present Position Financial Model

PRESENT

Income		\$0		
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				
Total Income at year # 1 = \$0				
0.0%	Target Retirement Income		\$62,866	

0	2,360	0
Employee	Match	Add.
Regular Savings		
Savings 100,000		
CD's		
College Savings		
Tax Deferred		
Roth		
401k & IRA		
IRA 550,000		
roth 66,000		
TSP 310,000		
Tax Deferred		
Roth		
IRA		
roth 22,000		
IRA 300,000		
n		
n		
37,500		

0
1%
1%
1%
4%
4%
4%
4%
4%
4%
4%
1,437,920

Government Bonds		Corporate Bonds		BoA Trust		Rate	Future Value
						5%	0
				25,000		5%	0
						5%	26.250

# What is Your Tax Bracket?

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

Taxable  
Income

<b>Form 1040</b> Department of the Treasury—Internal Revenue Service		<b>2023</b>		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. <input type="checkbox"/> You <input type="checkbox"/> 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/country		Foreign postal code	
<b>Filing Status</b> <input type="checkbox"/> Single <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Married filing jointly (even if only one had income) <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Qualifying surviving spouse (QSS) Check only one box. 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: _____					
<b>Digital Assets</b> 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.) <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>Standard Deduction</b> <input type="checkbox"/> Someone can claim: <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <input type="checkbox"/> Spouse itemizes on a separate return or you were a dual-status alien					
<b>Age/Blindness</b> You: <input type="checkbox"/> Were born before January 2, 1959 <input type="checkbox"/> Are blind <b>Spouse:</b> <input type="checkbox"/> Was born before January 2, 1959 <input type="checkbox"/> Is blind					
<b>Dependents</b> (see instructions): If more than four dependents, see instructions and check here <input type="checkbox"/>					
(1) First name		(2) Social security number		(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit <input type="checkbox"/> Credit for other dependents <input type="checkbox"/>
Last name					
<b>Income</b> 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.					
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
3a		Qualified dividends			3a
4a		IRA distributions			4a
5a		Pensions and annuities			5a
6a		Social security benefits			6a
b		Taxable interest			2b
b		Ordinary dividends			3b
b		Taxable amount			4b
b		Taxable amount			5b
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 <b>total income</b>			9
10		Adjustments to income from Schedule 1, line 26			10
11		Subtract line 10 from line 9. This is your <b>adjusted gross income</b>			11
12		<b>Standard deduction or itemized deductions</b> (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 <b>taxable income</b>			15
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.					
Cat. No. 11320B Form 1040 (2023)					

## SUE RETIRE

Total Income		\$107,000		0		0		0		0	
Additional Information				Employee		Match		Add.			
Sue 62-70											
Bill 62-70											
Retirement Income Projections											
Sue	COLA	0%	Pension	\$18,836	Sue	Regular Savings	CD's	College Savings	Rate	Future Value	
	WD	0%	Social Security	\$0		Savings	101,000			1%	109,369
	0%	0%	Tax Deferred	\$0						1%	0
	0%	0%	Roth	\$0						1%	0
	3%	0%	401k & IRA	\$31,506							
			TOTAL	\$50,342							
Bill	COLA	0%	Pension	\$0	Bill	Tax Deferred	Roth	401k & IRA			
	WD	0%	Social Security	\$0				IRA	578,760	4%	0
	0%	0%	Tax Deferred	\$0						4%	93,939
	0%	0%	Roth	\$0			roth	68,640		4%	966,258
	4%	0%	IRA	\$12,750				TSP	347,880		
			TOTAL	\$12,750							
0% W/D Rate from Cash Assets										e Assets Total 1,514,938	
\$0											
Total Income at year # 8 = \$63,092											
0.0% Target Retirement Income \$62,866											
						Government Bonds		Corporate Bonds	BoA Trust	Rate	Future Value
									26,250	5%	0
										5%	0
										5%	0

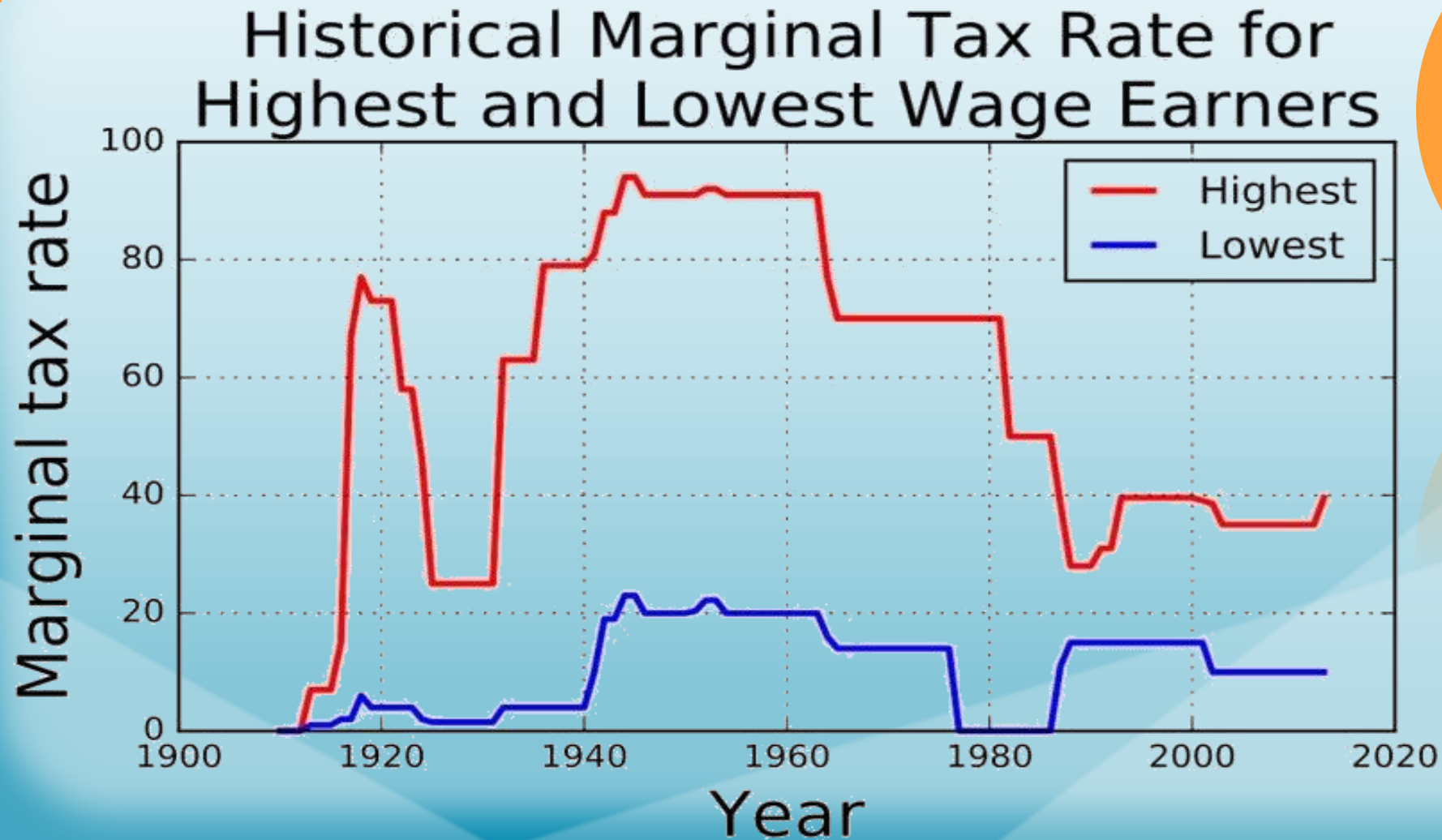


## RMD & SS

De Assets Total	1,719,080
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# WHERE do you think taxes will be in your future?

## Income tax rates



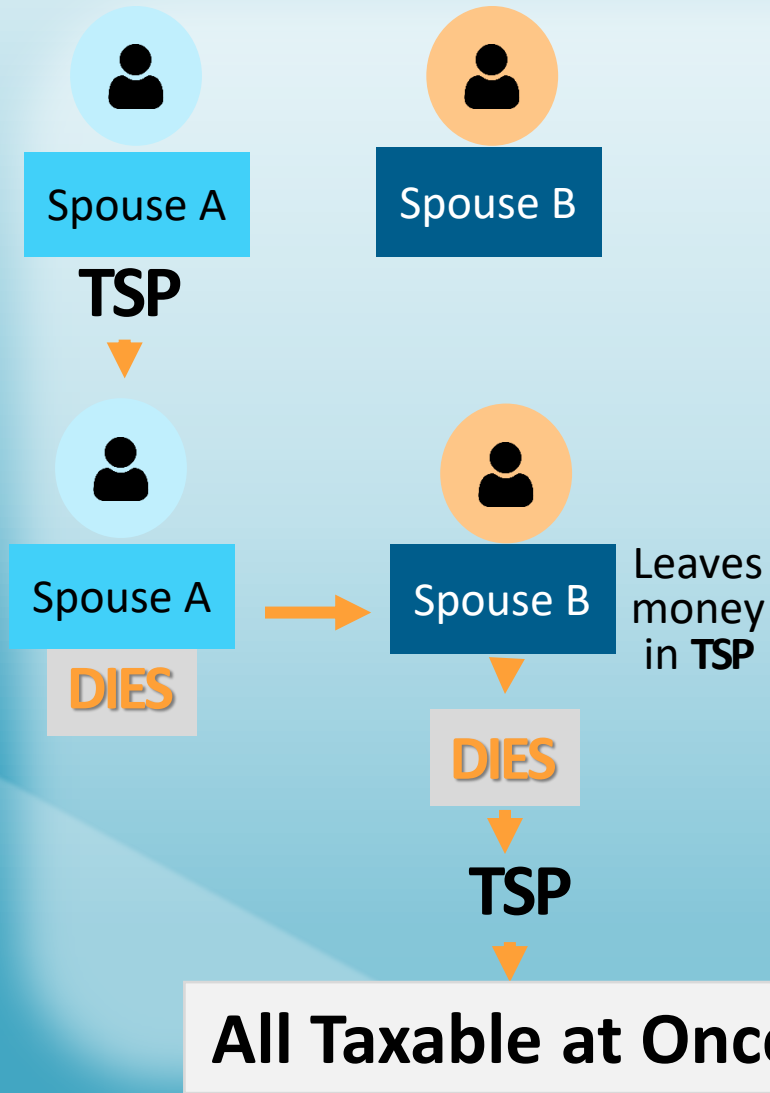
**Your opinion matters**

# Stretch IRA is Back

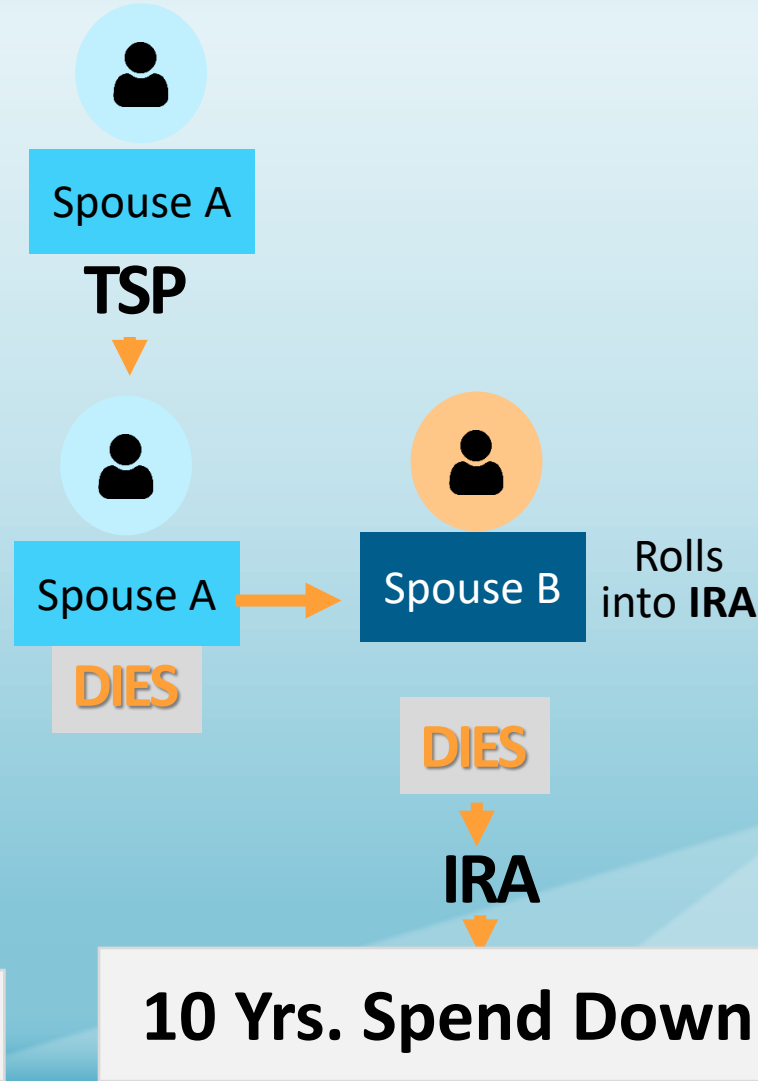


Secure Act 2.0

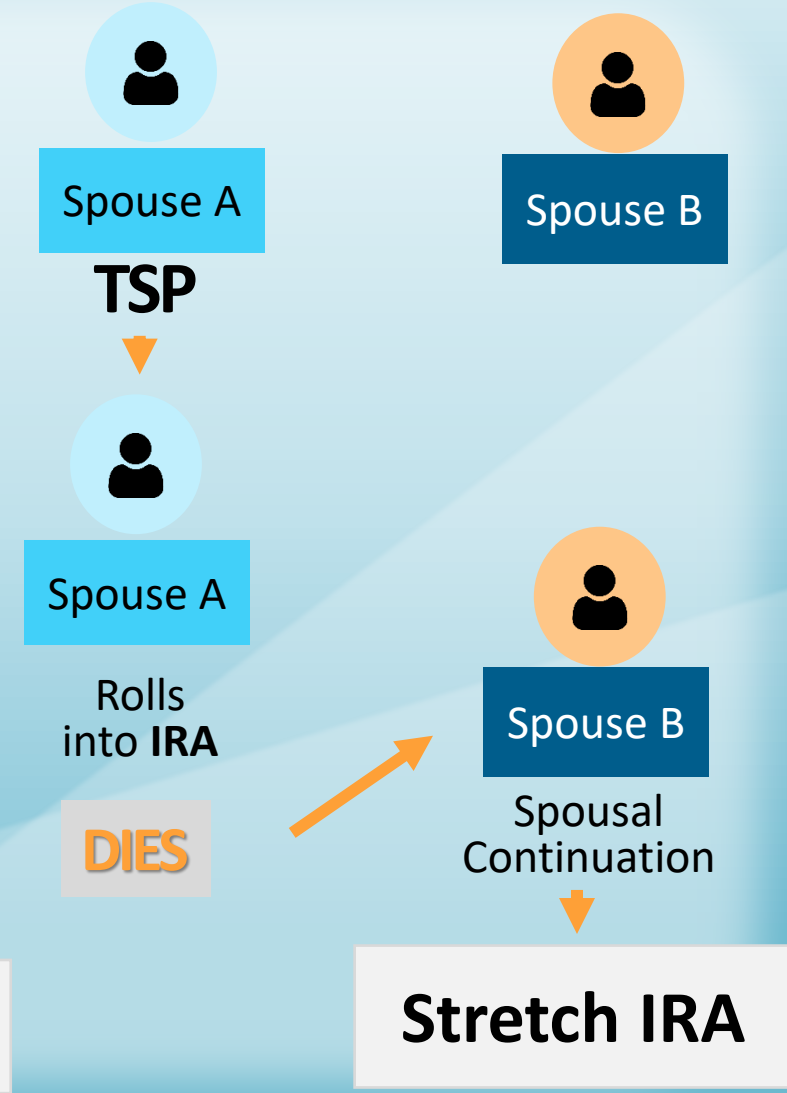
## Scenario 1

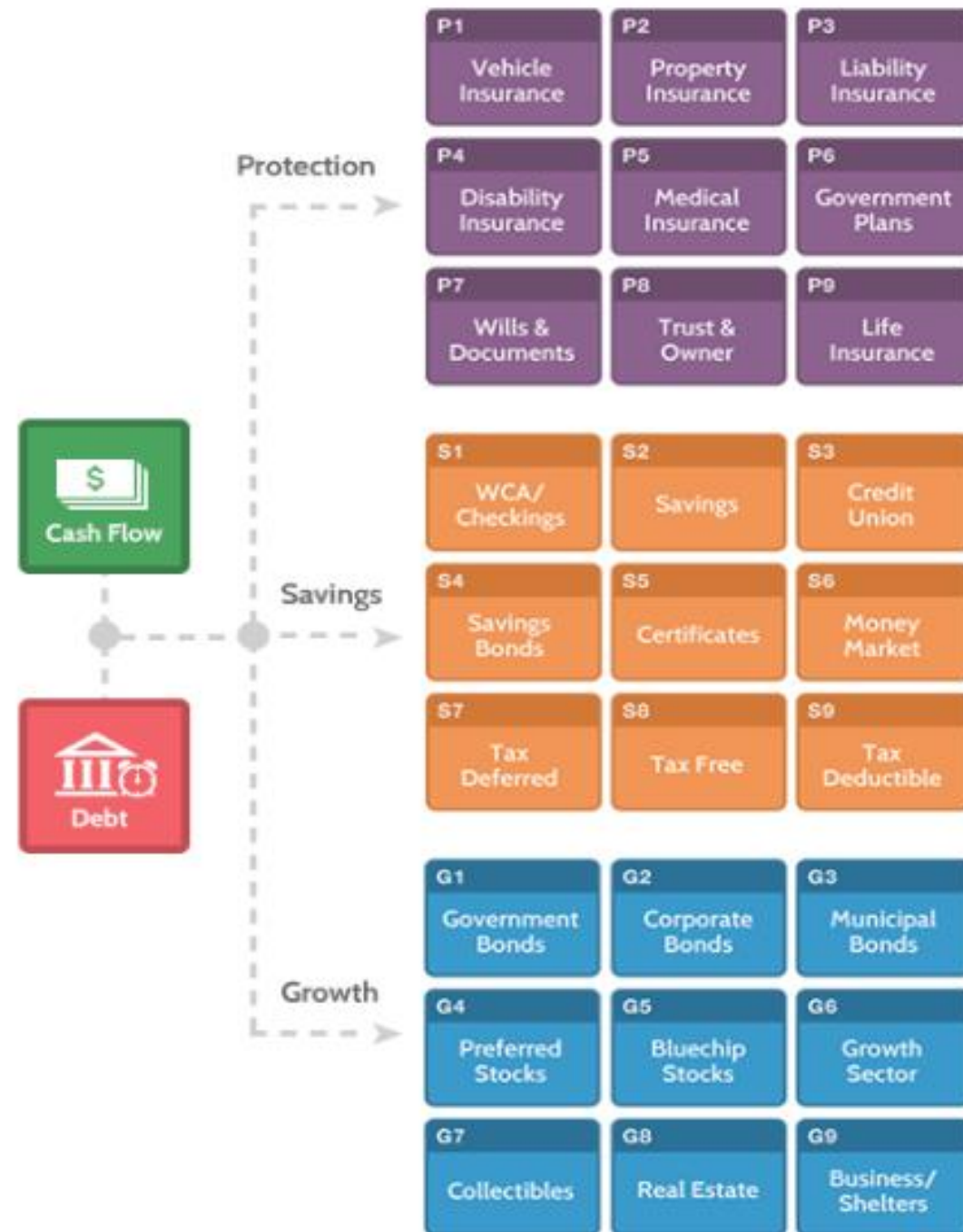


## Scenario 2



## Scenario 3









Thank you for your time today. Kindly fill out our feedback survey:  
<https://www.surveymonkey.com/r/DCSOFASURVEY>



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