

# FORTUNE

## WHAT ARE YOUR THRIFT SAVINGS PLAN (TSP) OPTIONS FOR RETIREMENT?



Federal employees have the opportunity to participate in the Thrift Savings Plan (TSP) to save for retirement. The TSP is in the same "tax family" as other government-sponsored retirement accounts, such as 401ks, SEP IRAs, and IRAs; however, the options for retirement are unique to federal employees.

Let's use an example to take a closer look at these options. Susan, age 60, is retiring from federal service with \$250,000 in her TSP.

### 1) Convert Your TSP to an Immediate Annuity

At retirement, Susan can turn over her principal balance to the Metropolitan Life Insurance Company for guaranteed income through the use of an immediate annuity. If Susan elected this option, then she would trade the use of her \$250,000 for a guaranteed income of approximately \$1,525 per month for the rest of her life. However, Susan would no longer have access to her \$250,000.

### 2) Establish Regular TSP Payment Schedule

In lieu of an annuity, Susan could "manually" select recurring withdrawals from her TSP account. Unlike the annuity option, her money now remains available to her use and pass on to her beneficiaries. If she felt uneasy about giving up her life savings for a regular paycheck (as in option No. 1), then she could simply withdraw the \$1,525 per month without an annuity. However, after 13 years, Susan would have taken out more than \$250,000 - and depending on the financial markets, she may have no money left for the remaining years of her retirement.

### 3) Leave Money In TSP with No Withdrawals

Susan may not prefer either of the first two options and decide to make no changes. She could choose to stay with her TSP in the same way she did during her working years.

### 4) TSP Rollover to an Individual Retirement Account (IRA)

Susan also has the option to roll over or transfer her TSP to an IRA without a fee or tax consequence. Now she would no longer be limited by the investment options offered by the government, and she could take advantage of more flexible rules associated with IRAs. She could also find an IRA account with minimal account fees and charges. The flexibility associated with IRAs would allow her to draw her retirement in a multitude of ways, without the limitations of the TSP.

Helpful Hint: Because Susan is older than 59 ½, the TSP-75 in-service withdrawal process would allow her to transfer her TSP funds into an IRA before retirement without a fee or penalty. Susan could take advantage of the opportunity to better position her account for retirement. Plus, she would not have to worry about the 30-day waiting period for TSP funds that could freeze her account during the first month of her retirement.

The TSP can be a great financial tool for federal employees as they prepare for retirement, but it's important to understand the details any investment. I've presented four options for TSP participants, each one having its own strengths and weaknesses. Find an advisor you can trust who will connect you with the option that best fits your Individual needs.

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