

Withdrawing From Your TSP Account

The Thrift Savings Program provides a retirement savings method for retired Marines and the benefits are well known. The diversified options and low investment expenses make it a great vehicle for adding to a nest egg. While saving and investing are relatively straightforward within TSP, making withdrawals when you actually make it to retirement can be much more complicated. Below are the available options and some important factors to consider when making your decisions.

TSP Withdrawal Options:

The TSP has limited resources available for servicing accounts for withdrawal purposes. To make it manageable for the agency, withdrawal options are limited to:

- A one-time partial withdrawal
- A full withdrawal
- A series of monthly payments or
- An annuity

Funds can also be moved to an IRA account for withdrawal.

One Time Partial Withdrawal:

You are eligible for a partial withdrawal from TSP only once in your lifetime. Accordingly, there are a few things to keep in mind when considering this option:

- The minimum withdrawal amount is \$1,000
- Since you cannot repeat the partial withdrawal again, all potential needs should be addressed and planned for before deciding on a withdrawal amount
- This option is not available if an age-based withdrawal was taken while employed. Age-based withdrawals can only be taken by working employees over 59 ½
- The pre-tax portion of a withdrawal is not taxed if transferred to an IRA. If it is a direct distribution to a participant, income tax is withheld. If an entire distribution is not needed immediately, the income tax can be spread out by transferring to an IRA first, and then taking the withdrawals from there

Full Withdrawal:

A withdrawal of the entire TSP balance is allowed at any time in retirement. No income tax is withheld if the pre-tax balance is transferred to an IRA. A direct distribution to the participant is not typically recommended for a full withdrawal, since the entire income tax burden would be absorbed in one year and could possibly push the income level into a higher tax bracket. It is possible to transfer the pre-tax amount directly to a Roth IRA as well, though income tax would be due and that strategy should be discussed with a financial planner before implementing.

Series of Monthly Payments:

One method of receiving regular funds from the TSP is through a series of regular monthly withdrawals. The amounts for the withdrawals can either be determined by the IRS life expectancy tables or a specific dollar amount determined by the participant. Here are a few additional considerations:

- Once withdrawal amounts are determined, by either method, they are fixed for an entire year and cannot be changed
- Life expectancy withdrawals are designed to last for an entire lifetime, but that is not guaranteed. The tables are applied to the balance at the end of each year and the amount will vary based on investment performance
- If the life expectancy method is used, there is a one-time option to change to the specific dollar amount method. There is no option to change from the specific dollar amount method to a life expectancy method
- Withdrawals based on life expectancy tables cannot be transferred to an IRA, and income tax must be withheld
- Specific dollar amount withdrawals can only be transferred to an IRA if they are expected to last less than ten years. If the amounts are projected to last longer than ten years, an IRA transfer is not allowed and income tax must be withheld

Withdrawal Strategies:

An overall TSP withdrawal strategy should be based on a solid and well thought-out retirement income plan, and is specific to

each individual and situation. As many are retiring earlier, living longer, and having more expensive lifestyles, it is more important than ever to have a solid foundation for the decisions that are made early in retirement. There are a few particular strategy components that will be a part of an individual's plan, and they are reviewed here:

- All withdrawals (except transfers to an IRA) from the pre-tax account have income tax deducted. It is wise to pay attention to current tax brackets when making withdrawals, particularly large ones, to make sure unnecessary income tax isn't paid
- If an unpaid loan is present at retirement, it is often worth trying to get the distribution declaration made in a year without a full salary to avoid excessive income taxes
- Since all withdrawals come from both standard and Roth accounts simultaneously when making distributions from the TSP, it is often advisable to transfer one or both portions out to an IRA or Roth IRA. Once transferred, the participant can control the tax treatment of withdrawals by picking the account to make the withdrawal from
- If an annuity is to be used, it may be advantageous to invest in the contract early after retirement to take advantage of offered contract benefits. If this is done in an outside IRA account, the one-time partial withdrawal option may be needed

How to Withdraw Your TSP Funds:

1. Determine which form(s) are needed for your particular request. Forms can be downloaded from www.tsp.gov: **TSP Form 70 for full withdrawal, TSP Form 77 for a partial withdrawal, and the TSP Form 65** to combine your uniformed services and civilian TSP accounts
2. Complete the necessary form(s) and fax them to the TSP at (216) 367-3605, or email them to ccl-mc-tsp@dfas.mil. It usually takes 7-10 business days for this process to update in the TSP records
3. Contact Robert Taylor, Marine Corps TSP Analyst, at (216) 204-6881 or

robert.d.taylor@dfas.mil, to confirm receipt of your request or for any further instructions.

It takes about 7-10 business days for this process to update in TSP records. To confirm your transaction, call the TSP Office at 1-877-968-3778. If you provide a valid email address, the TSP will usually inform you of the completed action.

If requesting to combine Civilian and Uniformed Services TSP accounts, use TSP-Form 65. If you are requesting a full withdrawal, use **TSP-Form 70**. For partial withdrawals, when separated, use **TSP Form 77**.

Fax documents to (216) 367-3605 or email them to ccl-mc-tsp@dfas.mil.

DFAS POCs:

Ms. Darlena Philpott
darlena.philpott@dfas.mil

Ms. Derris Lents
derris.lents@dfas.mil

Fund Last Change YTD

L Income:	16.6364	+0.0059	+5.83%
L 2020:	21.3184	+0.0138	+13.49%
L 2030:	22.8299	+0.0162	+16.94%
L 2040:	24.0829	+0.0176	+19.50%
L 2050:	13.5938	+0.0111	+21.98%
G Fund:	14.2321	+0.0027	+1.50%
F Fund:	15.8938	-0.0003	-0.73%
C Fund:	22.6612	+0.0305	+25.71%
S Fund:	32.2376	-0.0595	+32.46%
I Fund:	25.1557	+0.0560	+20.18%

“While saving and investing are relatively straightforward within TSP, making withdrawals when you actually make it to retirement can be much more complicated.”