Director of Life Insurance

CCA Retirement Savings Plan

Myra Warren

The National Association of Letter Carriers is introducing the City Carrier Assistant Retirement Savings Plan (RSP). This plan is offered to CCAs and provides an opportunity for CCAs to begin saving for retirement prior to a career appointment with the Postal Service. The RSP is a retirement plan designed to protect against the risk of outliving one's resources by providing a lifetime of supplemental retirement income.

Administered by the Mutual Benefit Association, the RSP offers a fixed annuity. With a fixed annuity, your cash value earns a fixed rate of return while providing a tax shelter and guaranteeing an income later. MBA assumes all of the risks while guaranteeing your investment. Therefore, you are guaranteed a fixed payout.

> **"By joining the RSP now, members can be certain that their retirement lifestyle will be as comfortable as they would like."**

The plan is offered as a Traditional Individual Retirement Account (IRA). The yearly contributions of a Traditional IRA may be deducted from your federal taxes. The earnings accumulate tax-free until the time of withdrawal. As of 2014, the maximum annual contribution per individual under age 50 is $5,500 ($6,500 for those 50 and older before the end of 2014)—with modified adjusted gross income eligibility limits of $60,000 for a single filer and $96,000 for a married couple filing jointly. For income tax purposes, the maximum annual allowable amount as a deduction that can be contributed to an IRA for an individual is the lesser of $5,500 or 100 percent of the compensation includable in the individual's gross income for that taxable year. In addition, individuals who will be at least 50 years old by the end of this tax year are allowed to contribute an additional $1,000.

Under this plan, once CCAs becomes career employees of the Postal Service, they have the option to transfer their contributions into the Thrift Saving Plan. CCAs should contact the Thrift Savings Plan regarding opening an account and transferring the funds from the MBA. (See the accompanying Thrift Savings Plan article on the next page for more information.)

During the first six years of a new policy, if an RSP is fully or partially surrendered, a surrender charge will apply. The surrender charge is an internal charge, based on an annual decreasing percentage rate, and is deducted from your fund value. After the sixth year there is no MBA surrender charge. The IRS penalty charge is an external charge the IRS imposes should you surrender your policy or make a partial cash surrender before age 59½. We recommend contacting a tax advisor for further information regarding the IRS rules and regulations concerning contributions and withdrawals.

It's easy to participate in the plan. A member can make contributions of as little as $15 per pay period. Contributions can be made through payroll deductions. The amount of the member's contribution can be increased or decreased and stopped or started at any time with written notification to your MBA office.

Also, the RSP is available as a Roth IRA. Both plans offer the same interest crediting rate of 4.5 percent, and the guaranteed minimum interest payment will never be less than 3.5 percent.

Once you receive your RSP, you'll have time to examine it. If you choose not to keep the policy, you may return it to the MBA within 30 days of issue for a full refund of the contributed premiums. The policy-owner's signed statement requesting cancellation of the policy should accompany the policy.

By joining the RSP now, members can be certain that their retirement lifestyle will be as comfortable as they would like. The earlier a member signs up and starts premium payments, the sooner he or she can begin to build a sizeable retirement nest egg.

If you have questions or would like an application, please call the MBA toll-free at 800-424-5184 Tuesdays and Thursdays, 8 a.m. to 3:30 p.m., or call 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m. Eastern Time.

United States Letter Carriers Mutual Benefit Association (MBA)

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202-638-4318, 8 a.m.-3:30 p.m. (Eastern)
800-424-5184, 8 a.m.-3:30 p.m. (Eastern), Tuesday and Thursday

Moving funds from your IRA to the TSP

As members of the NALC, city carrier assistants (CCAs) are eligible to participate in the union's retirement savings plan for CCAs, an IRA offered by the NALC's Mutual Benefit Association (MBA).

The plan provides a convenient, low-cost way for CCAs to save for retirement and reduce taxable income at the same time. It's also a way to get a head start on an even better savings opportunity, the Thrift Savings Plan (TSP). When you become a career letter carrier, you will automatically become eligible to participate in the TSP, the tax-advantaged retirement savings plan for federal and postal employees.

The following outlines some of the benefits of the TSP, and the process by which you can move assets from your MBA IRA into the TSP once you become a career letter carrier.

TSP benefits

The main benefits of investing in the TSP are Postal Service matching contributions and the TSP's low administrative cost:

Matching contributions—As a career letter carrier, the Postal Service will automatically make a contribution to your account equal to 1 percent of your salary. In addition, the Postal Service will match, dollar for dollar, the first 3 percent of pay you contribute per pay period into the TSP. This means that for every dollar of the first 3 percent you contribute, you will get a 100 percent match. The matching does not stop there. The Postal Service will then match 50 cents on the dollar for the next 2 percent of pay invested per pay period, or a 50 percent return on your investment. So, if you are able to contribute the full 5 percent of your pay each pay period, you will automatically get a return based on the Postal Service matches. Further returns on investment are then based on the performance of your fund investments. The annual limit on the amount that can be invested in the TSP and other tax-advantaged retirement plans is set each year by the IRS. (In 2014, it is $17,500 per year.)

Administrative costs—TSP has very low annual administrative costs. Low administrative costs are important because these costs are taken out of investment returns before the returns are passed on to you. In other words, the higher the administrative fees, the less investment returns will be passed on to you.

Moving funds from your IRA to the TSP

Before you roll over or transfer money from your IRA into the TSP, you must first have an open Thrift Savings account with a balance. Upon reaching career status, the Postal Service will automatically enroll you in the TSP and create an account. It also will automatically begin making contributions to your TSP account equal to 1 percent of your salary.

After you have an active TSP account, there are two methods you can use to move money from your IRA into the TSP. We strongly recommend Method 1.

Method 1—The first method is called a "transfer" (also called a "direct rollover"). This is the recommended method for moving money from your IRA to the TSP because it is easy and there is no risk of any taxes being withheld (more on this later under the second method).

Under the transfer method, your IRA money is transferred directly from your Mutual Benefit Association IRA into the TSP on your behalf. You will not receive a check under this method—the funds are simply transferred from one institution to the other.

To initiate a transfer of your Mutual Benefits Association IRA, fill out Form TSP-60 (available on the TSP website) and contact customer service at the Mutual Benefit Association. Tell the representative that you want to do an IRA transfer and ask them where you should send your transfer request form. To help process your request, make sure to send them all four pages of the four-page Form TSP-60. Fill out Section 1 on Page 1, leave Section 2 on Page 1 blank for the MBA to fill in, and simply attach the remaining pages. Also include a brief cover letter requesting that they fill out Section 2 of the attached form and noting that you want to make a transfer of your funds from your IRA to the TSP. If possible, make a photocopy of the cover letter and request a form for your records before you send it. It can take a few weeks for the whole process of moving the money from your IRA into the TSP to be completed.

Method 2—The second method for moving money from your outside IRA into the TSP is called a "rollover." Under this method, the MBA will send a check directly to you, made out to you. It then becomes your responsibility to mail the funds to the TSP.

If you choose this method, 20 percent of your IRA transfer may be withheld for taxes. To recoup the full 20 percent at tax filing time, you will have to send the TSP a check for the full amount of the IRA distribution (the dollar figure on the check) plus the 20 percent the financial institution withheld for taxes. In other words, you have to come up with the 20 percent tax money from another source. You must send this check to the TSP within 60 days of receiving the distribution check from your financial institution. As long as you do this, you can get the full 20 percent tax payment refunded to you at the end of the year when you file your taxes. But, depending on the amount of your IRA, it could be prohibitively expensive to have to front the 20 percent until tax time.

In view of this, we highly recommended that you do the "transfer" method instead of the "rollover" method. That way, there is no need to come up with extra funds to cover the missing 20 percent tax payment, and you won't have to worry about sending a check to the TSP within 60 days.