Thrift Savings Plan—more on post-retirement withdrawals

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Last month's column focused on the advantages of the Thrift Savings Plan compared with private investment companies. It emphasized the low administrative costs of the TSP, and noted that the low-cost benefit may continue into retirement years. This column focuses on some of the rules regarding post-retirement withdrawals.

TSP-accrued funds at the time of retirement may be left in the TSP and the same investment options that were available during working years remain available after retirement. Although the balance will no longer increase from contributions or matching funds, it may increase due to earnings from investment choices.

There are multiple withdrawal options, including partial withdrawal, full withdrawal, a single payment, a series of monthly payments, or a life annuity. If a life annuity is selected, there are multiple annuity options.

One important rule is the age-related withdrawal deadline. It is known as the age 70½ rule. However, this rule (or deadline) only applies if you are separated from the Postal Service. If you continue working for the federal government past age 70½, the rule does not apply and you are free to leave funds in the TSP without any withdrawals.

The age 70½ rule applies if you have retired or are otherwise separated from the Postal Service. The rule requires you to make a withdrawal choice for your TSP account balance by April 1 of the year following the year you become age 70½.

If you do not withdraw (or begin withdrawing) your account by the required withdrawal deadline, your account balance will be forfeited to the TSP. If that happens, you can reclaim your account, but you will not receive any earnings on your account from the time the account was forfeited.

One withdrawal option is known as a partial withdrawal. You can withdraw $1,000 or more and leave the rest in your account until you decide to withdraw it at a later date. You may make only one partial withdrawal from your account.

A second withdrawal option is known as full withdrawal, taken in a lump-sum single payment of your entire TSP account balance. This option is sometimes used when a retiree decides to withdraw the TSP balance and reinvest the funds in a private investment company. Retirees considering such a move should do so very cautiously and should read last month's Retirement Department column before doing so.

A third option constitutes a full withdrawal, but is taken in a series of monthly payments that will be paid to you each month from your TSP account. You can choose a specific dollar amount each month or you can have the TSP calculate a monthly payment based on your life expectancy. If you choose a specific dollar amount, it must be at least $25.

At any time while you are receiving monthly payments, you can ask TSP to stop the monthly payments and pay you your remaining account balance in a single payment. Also, once a year, you have the opportunity to make changes to the dollar amount of the monthly payments you are receiving. You also have the opportunity to make a one-time switch to receiving monthly payments based on a dollar amount rather than monthly payments based on life expectancy.

A fourth option involves purchase of a life annuity. A life annuity pays a benefit to you (or to your spouse) every month for life. The TSP purchases the annuity on your behalf from a private insurance company. You can have the TSP purchase an annuity with all or any portion of your account balance when you request a full withdrawal.

There are three basic annuity types:

- **A single life annuity—**paid only to you during your lifetime.
- **A joint life annuity with your spouse—**paid to you while you and your spouse are alive. When one of you dies, payments are made to the survivor for the rest of his or her life.
- **A joint life annuity with someone (other than your spouse) who has an insurable interest in you—**paid to you while you and the person you choose are alive. When one of you dies, payments are made to the survivor for his or her life.

If you elect a joint annuity, you may be able to choose between a 50 percent or 100 percent payment option to the survivor. Some additional annuity features may also be available, depending on the basic annuity type you choose. You may be able to request "cash refund," "10-year certain" or "increasing payments" options.

The Thrift Saving Plan is a valuable benefit to working and retired letter carriers. That benefit is maximized when retirees are able to make fully informed decisions about their withdrawal options.

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