Thrift Savings Plan essential for retirement

Career letter carriers receive many benefits when we're appointed, so it would be easy to overlook an important retirement benefit, the Thrift Savings Plan (TSP).

That's a mistake.

The TSP works like a 401(k) in the private sector, allowing the employee to save with tax advantages and to benefit from employer contributions. TSP is an essential part of most carriers' retirement plans. "The TSP is a fantastic retirement benefit that every career carrier should take advantage of, if possible," NALC Director of Retired Members Dan Toth said. "It can help to diminish doubt and worry when you contemplate retiring."

In earlier years, letter carriers participating in the old Civil Service Retirement System (CSRS) had to opt in to enroll in TSP. Under the Federal Employees Retirement System (FERS), which covers most letter carriers, new career carriers are automatically enrolled in TSP and contributions are taken from their paychecks, unless they opt out. FERS carriers hired before Aug. 1, 2010, have 1 percent automatically deducted; anyone hired after that date has 3 percent deducted.

If you are covered by the Federal Employees Retirement System, the Postal Service also kicks in a contribution to your TSP account, matching the first 3 percent of pay you contribute and then matching 50 cents for every dollar of the next 2 percent. You can adjust your TSP contribution up or down by authorizing deductions of up to $19,000 per year, or down to zero—but the more you can afford to put away in TSP, the better, Toth said.

"The Thrift Savings Plan is a great savings opportunity for letter carriers and a great bargain," he said. "Most private-sector plans can't beat it in terms of low cost. The TSP has millions of federal workers as members, and it keeps administrative costs low and passes the savings on to us."

You can invest the funds in a traditional tax-deferred plan that is taxable after you retire, and probably pay less in taxes, or in a Roth IRA-style fund that lets the interest grow tax-free.

City carrier assistants (CCAs) don't have access to the TSP until they convert to career status and are automatically enrolled, but NALC's Mutual Benefit Association (MBA) has created a savings account to help CCAs get a head start. The CCA Retirement Savings Plan gives CCAs a way to put away money toward retirement that can be rolled over to the TSP when they convert to career status. For more information, go to nalc.org/mba.

Changes on the way

The good news is that the Thrift Savings Plan is about to get even better. Congress passed the TSP Modernization Act in 2017 to modernize the TSP and provide new options for participants. The TSP is busy now implementing the changes in the law.

One of the most important changes for TSP participants under the law will be new withdrawal options scheduled to take effect in September:

- Participants will be allowed to take multiple age-based (for those 59½ or older) in-service and post-separation partial withdrawals. Under current TSP rules, participants may elect only one partial age-based withdrawal after they turn 59½ or one partial post-separation withdrawal after separation from federal employment.
- You will be able to choose whether your withdrawal should come from your Roth balance, your traditional balance, or a proportional mix of both.
- You no longer will be required to make a full withdrawal election after you turn 70½ and are separated, though you will still need to withdraw a "required minimum distribution"—a minimum amount set by the Internal Revenue Service, which regulates tax-preferred retirement savings plans.
- If you're a separated participant, in addition to the option of monthly payments, you'll be able to choose quarterly or annual payments, and you'll be able to stop, start, or make changes to your installment payments at any time.

Look for updates about other changes in future issues of *The Postal Record*.

Watch out for predators

Making the smart decision to save for retirement through the TSP is important. But you also have to be smart in how you invest your funds and how you withdraw your money once you retire. Fortunately, the TSP offers many low-cost, easy-to-understand index funds. But NALC often hears about "financial advisors" who tell letter carriers to put all their money in the international or small-cap funds. Be wary of such advice. Worse, some advisors claim that carriers are better off withdrawing their funds from TSP and investing them elsewhere after they retire. Some of these advisors even find their way onto postal property.

"Withdrawing from TSP for other investments is almost always a very bad idea," Toth warned. "There may be penalties, higher [administrative] costs and a loss of tax advantages. Some advisors are nothing but predators who are out to enrich themselves with the fees they charge, not legitimate advisors who put your interests first. Please consult only an advisor you find and trust who works for you and has your welfare in mind. Also, approaching postal employees with investment advice, especially on the workroom floor, is against postal policy, and at union events it is usually against NALC policy." **PR**