Why invest in the Thrift Savings Plan?

Whether you're a newly converted career employee or are approaching retirement, the end of the year is a great time to think over your financial affairs. As 2019 nears its close, you should also consider how the Thrift Savings Plan (TSP) can play a valuable role in your strategy for retirement.

The TSP is an essential component of the Federal Employees Retirement System (FERS), the retirement program that covers most USPS employees. Like many of the 401(k) savings plans offered by private-sector employers, the TSP allows federal employees to save pre-tax dollars each month in an account; this gives letter carriers who have contributed the chance to save money quickly and easily. TSP participants can choose how the money in their account is invested.

City carrier assistants (CCAs) converted to career, or career letter carriers hired on or after July 31, 2010, have been automatically enrolled in the TSP. Three percent of their base pay is deducted and deposited in a TSP account. The Postal Service deposits matching contributions equal to 3 percent of basic pay, as well as automatic agency contributions equal to 1 percent of basic pay. Career letter carriers hired before that date and covered by FERS were automatically enrolled in a TSP account with 1 percent contributions from the Postal Service and no automatic payroll deductions—the deductions must be set up by the employee.

All letter carriers covered by FERS who contribute their own money receive matching contributions up to 5 percent per pay period, and all carriers covered by FERS receive the 1 percent automatic contribution from USPS.

For CCAs who have not yet converted to career letter carriers, NALC's Mutual Benefits Association (MBA) offers a CCA Retirement Savings Plan, where traditional IRA funds can be rolled into the TSP once the CCA becomes a career letter carrier.

Carriers can use LiteBlue to enroll in the TSP or make changes to their deductions or investments at any time—there is no specific open season for the program.

Don't walk away from free money

USPS will match a portion of the first 5 percent of FERS employee contributions. The first 3 percent is matched dollar for dollar; the next 2 percent, 50 cents per dollar. This is in addition to their automatic 1 percent contribution, for a total USPS contribution of 5 percent of the letter carrier's base pay when they elect to contribute 5 percent or more. As a result, you will double your 5 percent investment instantly.

The IRS annual limit for TSP contributions as of 2019 is $19,000. Participants may be eligible to make additional "catch-up" contributions to boost their savings, beginning the year they turn 50. These contributions are not matched by USPS and are limited to $6,000 for 2019.

Carriers covered by the Civil Service Retirement System (CSRS) still may join TSP, but do not receive a matching contribution from USPS. Nevertheless, they can keep more of what they save because the TSP's administrative costs are lower than those of similar plans. In 2018, the TSP charged participants an average net administrative expense of 40 cents per $1,000 invested.

Your TSP account does not expire when you separate from federal service. You still can change your investment mix while your account continues to accumulate earnings; you can even transfer IRAs and retirement plans into the TSP.

Since enactment of the TSP Modernization Act on Sept. 15, you now have more flexible withdrawal options when you leave federal service, such as multiple single withdrawals and the ability to change the frequency and the amount of installment payments at any time during the year. Explore these options and more in the booklet *Withdrawing from Your TSP Account for Separated and Beneficiary Participants*, available on tsp.gov.

Visit tsp.gov or call TSP-YOU-FRST (877-968-3778) to check out planning tools and calculators designed to assist you with retirement decisions. PR