Why invest in the Thrift Savings Plan?

Whether you're a newly con-verted career employee or are approaching retirement, the end of the year is a great time to think about your financial affairs. As 2020 nears its close, you also should 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 a personal account; this gives letter carriers who have contributed the chance to save money quickly and easily. TSP participants also 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 Oct. 1, 2020, have been automatically enrolled in the TSP. Five percent of their base pay is deducted and deposited in a TSP account. The Postal Service matches the first 3 percent dollar for dollar and the next 2 percent 50 cents per dollar, as well as automatic agency contributions equal to 1 percent of basic pay. Career letter carriers hired between July 31, 2010, and Sept. 30, 2020, were automatically enrolled at 3 percent. Those hired before July 31, 2010, 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.

For CCAs who have not yet converted to career letter carriers, NALC's Mutual Benefit 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.

Don't walk away from free money

As explained above, all letter carriers covered by FERS who contribute their own money receive matching contributions up to 4 percent per pay period, and all carriers covered by FERS receive the 1 percent automatic contribution from USPS.

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.

The IRS annual limit for TSP contributions as of 2020 is $19,500. 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 $6,500 for 2020. 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 save on taxes and keep more of what they save because the TSP's administrative costs are lower than those of similar plans. In 2019, the TSP charged participants an average net administrative expense of 42 cents per $1,000 invested.

TSP accounts do not go away when letter carriers separate from federal service. Letter carriers can stay invested in the TSP and can change their investment mix while their account continues to accumulate earnings; they can even transfer IRAs and other retirement plans into the TSP.

Since enactment of the TSP Modernization Act in September 2019, letter carriers now have more flexible withdrawal options when they leave federal service, such as multiple one-time 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**