

How Much TSP Can You Take?

By Tammy Flanagan

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Last week, I began answering some questions that I have received, but was unable to address, in recent webinars. Here are a few more that seemed to interest a lot of people.

How do I determine what percentage of my Thrift Savings Plan funds should be paid to me annually? One financial planner recommended investing 100 percent of the funds, with no payments to me.

I like to think of the TSP as the icing on the cake. The first step is to look at your monthly income from all sources (CSRS or FERS retirement benefit, Social Security and military retirement, if applicable). Then, determine if you will need additional monthly cash flow from the TSP (or other retirement savings). If so, you have several ways to create that cash flow. The TSP offers a monthly payment option, in which you can select a specific dollar amount of income (which you can change annually), or the TSP will compute a payment for you by dividing your account balance by your life expectancy each year. You also can take some or all of your TSP balance and purchase a life annuity. This provides a stream of monthly payments for the rest of your life. To explore these options, check out the [TSP Retirement Income Calculator](#).

On the other hand, if you want a more diversified investment portfolio beyond the TSP's fund options, and want the ability to take money out when you need it (but not necessarily on a regular monthly schedule), then you might consider moving some or all of your TSP to an individual retirement account. Remember, though, that the G Fund is unique to the TSP and the administrative expenses of leaving your money in the TSP are next to nothing (\$.27 per \$1,000 account balance per year).

I plan on retiring this coming year and owe about \$28,000 back to my retirement fund. Can I pay this after I retire with funds from my TSP account?

If you owe a civilian deposit for temporary service that wasn't covered by Civil Service Retirement System or Federal Employees Retirement System contributions, or if you owe a redeposit of a refund of retirement contributions, you will have one last opportunity to pay back these funds before the Office of Personnel Management finalizes your retirement. When your retirement claim is finished, you will receive a letter from OPM outlining the amount you owe and your final monthly retirement benefit with and without the payment. You will have 30 days to decide what to do. (Be sure to keep your address up-to-date in the event you move after you retire.) Depending on how long it takes OPM to finalize your claim, you may be able to withdraw the funds from your TSP in time to pay this back. Keep in mind that you will need to withdraw more than \$28,000 to pay back \$28,000, because the money in your TSP has not been taxed as income. The TSP will withhold 20 percent from the payment to help pre-pay federal tax, but this might not cover the bill when taxes come due in April. If the money you owe is to cover a military service credit deposit instead of a payment for civilian federal service, these deposits must be paid before your retirement date.

What are the pros and cons of using all of your annual leave instead of selling it back, especially if you're not retiring at the end of a leave year?

I covered this question in a 2009 column: [Leave: Take It or Lump It?](#)

How is OPM doing at alleviating the backlog of retirement cases awaiting processing?

Here is the latest [information from OPM on its efforts to cut the backlog](#).

This is what the agency said earlier this year about the situation: “As of August 2013, the average processing time is 102 days from the date we receive your final paperwork from your human resources office and payroll office. If your retirement records are complete upon receipt and we do not need additional information from you or your former employing agency, your claim might be processed sooner than the average time. An additional three to four weeks may be needed if we need to contact you to make a benefit election, such as your decision on making a service credit deposit, or if we need to contact your former employing agency for necessary information which was not included with your retirement package.”

Do you have any more information on the phased retirement program?

All OPM says at this point is that the program will be implemented “as soon as possible.” So we must continue to wait. Unofficially, I’ve heard that phased retirement is on the fast track to be rolled out in spring 2014. But I’ll believe it when I see it.

In the meantime, if you want more information on the program, I’ve written two columns this year on it: [Let the Confusion Begin](#) and [Phased Retirement: The Bottom Line](#).

What is the name of the book on “new retirement” you mentioned?

It’s called [*The New Retirement: The Ultimate Guide to the Rest of Your Life*](#), by Jan Cullinane and Cathy Fitzgerald. I like this book because it provides assistance in planning for your life after retirement, not just your finances and benefits. There are other books like this one available. I just happen to like the format and style of this one.

I use another book on a regular basis in evaluating when people should apply for Social Security. It’s called [*Social Security Strategies: How to Optimize Retirement Benefits*](#), by William Reichenstein and William Meyer. They also have developed a [website that explores the financial consequences of applying for Social Security too early](#).

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<http://www.govexec.com/pay-benefits/retirement-planning/2013/12/how-much-tsp-can-you-take/75782/>