



## Withdrawals from the TSP

Excluding loans and hardship withdrawals, Federal Employees have 2 options of withdrawing money from their Thrift Savings Plan. You can take an age-based in-service withdrawal or you can take a withdrawal after you separate from Federal Service. A general overview of each follows.

### **Age-Based In-Service Withdrawal- TSP-75**

If you are age 59 ½ or older and still employed by the Federal Government, you may make **only one** “age based in-service withdrawal. **Why would I do this?** Many people choose to do this because the investment options outside the TSP are virtually limitless. You may find better returns than the C, S, or I, and if you like the safety of the G Fund, you can accomplish similar goals in the private market. You can also seek greater diversification in a broader variety of holdings. **What are the tax consequences?** Because this is considered an “eligible rollover distribution”, it is subject to a mandatory 20% federal withholding. **HOWEVER**, you can avoid withholding on all or any portion of an age-based in-service withdrawal payment by transferring the payment directly to a traditional IRA. If you transfer the payment to a Roth IRA, there will be no tax withholding, but you will pay tax on the amount transferred for the year of the transfer. There are specific rules on Roth IRAs, so check with your financial professional. Please remember if you make an age-based withdrawal from your account, you will not be eligible for a **partial withdrawal** from that account after you separate from service. **Can I still make TSP contributions?** Absolutely! You may make your normal contributions as scheduled.

### **Withdrawal After Separation**

When you leave Federal Service, you have several options on how to withdraw you money.

**Method 1- Full Withdrawal- TSP 70:** You can take a full withdrawal of your account and roll it directly into a Traditional IRA or eligible employer plan. There are no tax consequences in this scenario since you are essentially going from one qualified plan to another.

**Method 2- Partial Withdrawal- TSP 77:** You can make a partial withdrawal of your account in a single payment. Like option 1, you can take a withdrawal of your account and roll it directly into a Traditional IRA or eligible employer plan and avoid any tax consequences.



***IMPORTANT NOTE:*** If you retire before age 59 ½ and need some of your TSP for income purposes, do not roll all of the TSP into an IRA. You should consider a partial withdrawal. Leave a portion of the money in the TSP because withdrawals from your TSP if you retire early (age 55 to 59 ½) are not subject to the 10% penalty for early withdrawal.

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