

# SERVING THOSE WHO SERVE

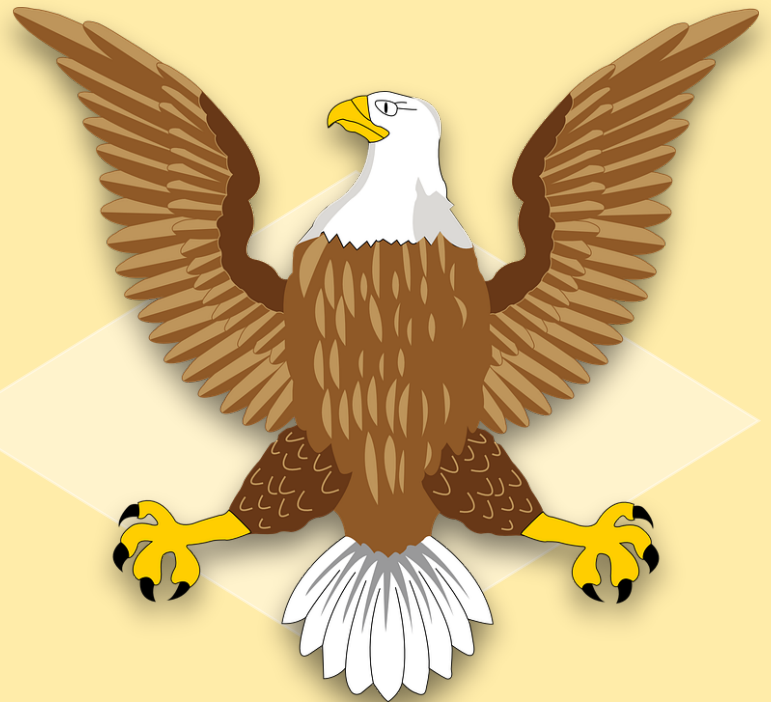
## **Quarterly Newsletter**

April 2018

### **Tuning Up The TSP**

A relatively escalated degree of attention steered toward the Thrift Savings Plan last fall when the TSP Modernization Act received approval from Congress. Signed into law on November 17th, the bill drafted as H.R. 3031 amended some technicalities in the respective portion of US legislative code detailing federal employee benefits. While addressing various aspects about withdrawing money from a TSP account, the more intricate components required to grasp the full impact on individual circumstances have yet to be determined. The retirement plan's governing body, the Federal Reserve Thrift Investment Board (FTRIB), is tasked with finalizing those procedural regulations within a two-year timeframe as enforced by the newly enacted document. Arguably, the most significant shift instilled by the legislation revolves around distributions. There is currently one total in-service withdrawal allowed after the age of 59½ not counting hardship withdrawals, but those have the potential to be detrimental to an account's value. Upon retirement, participants can choose to withdraw their entire balance as a lump sum, annuitize disbursements as a fixed amount distributed monthly until depletion, or purchase a life annuity that offers less per month than the other option, but guarantees it for the remaining lifetime. In the event that an in-service withdraw

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#### ***Health & Wellbeing:***

### **Almonds In the Office**

Top nutritionists recently composed a list for CNN to reflect what they consider to be the healthiest snacks to eat in the office, and almonds topped the list. About 1.5 oz, roughly 35 nuts, is a decent portion that provides a combination of fiber, protein, and healthy saturated fats. Suppressing one's appetite with more nutritious finger food can make time seem as if it is passing faster, but with the added bonuses of an elevated ability to focus along with a better mood.



# FEDUCATION

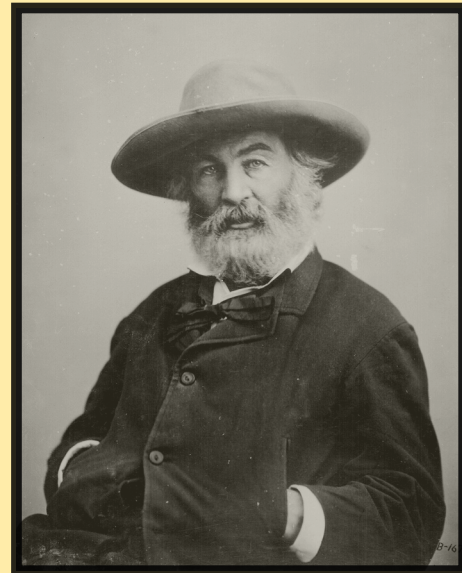
## Tip/Reminder-

Unused annual leave doesn't accumulate throughout a career the way sick leave does. At the end of each year, a max of 240 hours total can be carried over. If prior approval is received from your supervisor, however, you may be allowed to apply "use it or lose it" annual leave in place of sick leave. Doing so can have positive outcomes when calculating your pension amount in retirement.

source: [opm.gov/policy-data-oversight/pay-leave](https://opm.gov/policy-data-oversight/pay-leave)

## **Famous Fed:**

Featured this quarter is the renowned poet Walt Whitman, who worked for the Interior Department in 1864. He was subsequently fired, possibly due to the contents of his poems. The following year, after the Civil War, the writer worked for the Attorney General, interviewing confederate soldiers to be pardoned. His most celebrated work, 'Leaves of Grass,' revolutionized the landscape of poetry through a style later coined "free verse."



Walt Whitman

## **Summer Planning**

Following a winter of reaping possible benefits from a tax deduction, rising stock market, and a pay raise, federal employees may have their sights set on summer already. With numerous companies offering early bird specials on camps and vacation packages, getting a head-start on planning to ensure a satisfying summer can be a great idea. If taking a trip over 100 miles away, especially to an international destination, it is always best to let your bank know so they don't suspect possible fraud and consequentially block certain transactions. Also, best not to get carried away and forget fall is around the corner, bringing forth expenses such as back-to-school shopping, and then the holidays hit right after. A good budget can make a great summer even better. Make it a good one.

## **History Tidbit:**

On March 3rd, 1871 President Grant established the Civil Service Commission. A precursor to the current formation of the federal government's civil service system, the commission established guidelines and policies to establish professionalism and merit as requirements to work for the United States Government. After President Garfield's assassination, which was caused by a disgruntled position seeker, there was a public acknowledgement that the patronage system for government service was inherently flawed. From 1828 to 1871, the executive branch rewarded campaign workers and political allies with high paying federal jobs.

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wasn't taken, retirees could receive a one-time partial amount of at least \$1000 and leave the rest with the TSP. After age 70½, though, if either a fraction or the whole sum was kept in the TSP, and no action has yet been taken by the retiree in terms of receiving their money, the account is forfeited. The result of forfeiture is all interest and investment gains are suspended until a form for reclamation is filed by the legal owner.

There are other nuanced facets to deliberate when getting cash out from the federal retirement plan, but the limitations of the current design are discernible when considering only two (non-hardship) distributions are essentially allotted if someone wishes to forgo the option of a steady, monthly amount. The prime goal of the new law is to achieve more flexibility when making TSP distributions, but the language used is intentionally ambiguous at the moment. For partial post-service distributions, the codified rules were reconfigured to allow "one or more." In mentioning the "Allowance of multiple age-Based in-Service withdraws," the text of H.R. 3031 orders the removal of a paragraph from US code defining such as "one time only." However, if someone wanted to find out whether "multiple" could mean two, five, or unlimited, the document directs them to another paragraph of federal law. This statutory line explains any limitations on the number of distributions would be

determined "as the Executive Director may prescribe by regulation." So ultimately, a pretty crucial element that the law seeks to contemporize is still another tentative particularity not yet established by the FRTIB.

### Leave Them a Loan

It should be noted that TSP loans are probably not to be viewed as an optimal alternative to an in-service distribution if participants are worried about one-time restrictions in place now. TSP loans are best viewed as a last resort to be utilized in emergency situations only, and a reason often overlooked is tax consequences. Under the "Effect on Taxes" column, page 4 of the official TSP manual, *In Service Withdrawals* (1/2018) states TSP loans have "None," but this can be slightly misleading. Although a true statement, because there are no tax effects on the money lent, which was contributed pre-tax, the loan itself is still repaid with after-tax dollars. Therefore, when the assets are eventually disbursed again for

retirement, including the repaid portion, it causes another fully taxable event. Loans are frequently a safer choice over a hardship withdrawal, though, and the residential variety can be a treasured resource when purchasing a home. It is thus no surprise many TSP participants take advantage. In 2017, around \$4 million was being borrowed through over 250,000 of these loans\*. The types include general purpose and residential with two significant differences between them. The general-purpose TSP loan requires no documentation, making it theoretically usable for whatever while a residential TSP loan has to go toward the purchase of a new primary residence. The transaction and proof of address as primary must be verifiable, but the additional paperwork makes the term extendable up to 15 years instead of 5. Both loans impose the same minimum of \$1000 and an identical maximum, which is \$50,000 at the very most although accounts with a vested balance of less than \$100,000 are bound by a lower ceiling. When making such financial decisions, it is important to consider the cost of any TSP loan, and not just the \$50 administrative fee. The indirect cost of borrowing from your retirement plan arises from the lost potential for growth at any rate except the percentage of the G Fund's return, because its rate equals the interest applied to the loan payments.

### Upcoming Changes

Beyond the TSP Modernization Act, the directors of the FRTIB are in the process of solidifying more modifications to the federal savings plan. The I-Fund, which offers the lone international investments of the TSP by tracking the MSCI EAFE Index, will switch to the MSCI ACWI ex USA IMI Index in 2020. This basically entails converting the current international strategy to be inclusive of stocks and bonds from a broader range of countries, including Canada. The unavailability of several international markets in the previous index was often cited as a deficiency. In addition to altering the I-Fund, the number of Lifecycle funds will change in 2020 from 5 with 10-year increments to 10 funds separated by 5 years. The money in each L-Fund contains a different mix of the 5 main funds (G, F, C, S, & I) based on a targeted retirement date. With the addition of an L-2045 fund to the already existent L-2040 and L-2050 funds, for example, a federal worker



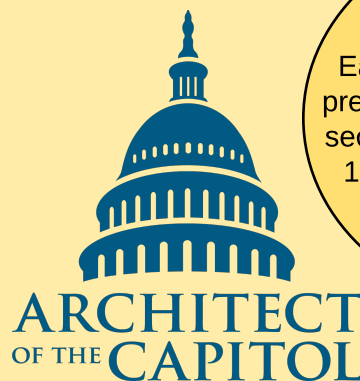
hoping to retire at some point in the 2040s, but unsure of the exact year, would now have more pliability in terms of allocating his or her retirement savings.

Despite impending modifications with sights on improving the exclusive retirement plan for Federal employees, these ambitions could still take almost two years to become completely realized. Regardless, individual participants shouldn't wait until those alterations materialize to tune-up their own TSP account, if they need to do so. Rebalancing among the funds routinely, usually on an annual basis, is a solid way to ensure you're properly diversified, but knowing what allocation of funds fits someone's risk tolerance is a critical variable in determining a given account's appropriate mix of investments.

Another area of maintenance relating to the TSP involves the annual contribution limit for 2018 increasing \$500 to \$18,500. To receive the maximum match from the federal government, the biweekly amount for all 26 pay periods equates to approximately \$712, up from the previous year by about \$19. If an adjustment wasn't made back in January, catching it now to apply a timely modification to that contribution could still garner a larger match from your employer.

*-Until Next Time,  
Benefits Ben*

\*[frtib.gov](http://frtib.gov), June 2017 Statistics



## Fun Fact:

Each day is longer than the previous one by .00000002 seconds, making each century 13 seconds longer than the last.

## **AGENCY SPOTLIGHT**

### Architect of the Capitol

Acronym: AOC  
Established: 1793  
Located: US Capitol  
# of Employees: 2000+

### Sitting Executive/

Architect: Stephen T. Ayers

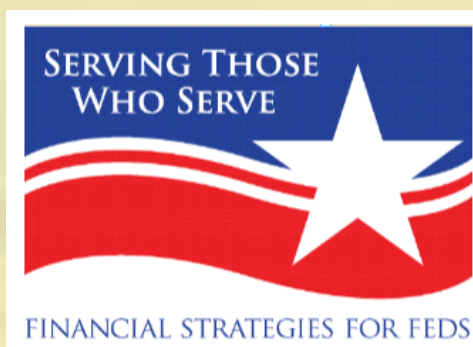
### Mission:

"To serve Congress and the Supreme Court, preserve America's Capitol, and inspire memorable experiences."

source: [aoc.gov](http://aoc.gov)

### Upcoming Seminars (Spring 2018)

<u>Rockville, MD</u>	<u>Arlington, VA</u>	<u>Washington, DC</u>	<u>Columbia, MD</u>
Tuesday, 5/15 -	Thursday, 5/17 -	Wednesday 5/16 -	Friday, 5/18
Tuesday, 6/12 -	Friday, 6/15 -	Wednesday 6/13 -	Thursday, 6/14



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