



# Vesting in the Thrift Savings Plan (TSP)

## Instructor Guide



**GUARD  
YOUR  
FINANCIAL  
FUTURE**

PERSONAL FINANCIAL MANAGEMENT PROGRAM

# I. COURSE ORGANIZATION AND OUTLINE

The *Vesting in the Thrift Savings Plan (TSP)* course is organized into six parts:

- 1. Introduction and Agenda**
  - Welcome
  - Facilitator Introduction
  - Review of Agenda
  
- 2. Vesting in the TSP**
  - What Does Vesting Mean?
  - When Am I Vested?
  
- 3. Why Save for Retirement?**
  - Reasons to Save
  - Time = Money (Saving for Retirement Example)
  
- 4. Blended Retirement System Overview**
  - The Four Components of BRS
    - ✓ Defined Contribution (TSP)
    - ✓ Continuation Pay
    - ✓ Defined Benefit (Pension)
    - ✓ Lump-Sum Option
  
- 5. Understanding the TSP**
  - What Is the Thrift Savings Plan? (TSP)
  - TSP Benefits and Contribution Limits
  - TSP Investment Funds
  - Evaluate Your Retirement Goals
  - Differences Between Roth and Traditional
  - Access and Manage TSP
  
- 6. Summary and Resources**

**TOTAL:** 60 minutes

Be sure to cover the checklists and handouts as indicated by the icons throughout the presentation.

## II. LEARNING OBJECTIVES



### Terminal Learning Objectives (TLOs) and Enabling Learning Objectives (ELOs)

- TLO:** Comprehend the components of the Service member's military retirement system and the importance of preparing for retirement.  
**ELOs:** Understand the components of the Blended Retirement System. Understand the Thrift Savings Plan. Understand what vesting means.
- TLO:** Understand and be able to manage a Thrift Savings Plan (TSP) account.  
**ELOs:** Know how to manage and update a TSP account. Be able to update beneficiaries for a TSP. Be able to review TSP contributions and weigh against additional financial considerations.

## III. CHAPTER PREPARATION

Sections labeled “**INSTRUCTOR NOTE:**” include additional information for instructor background, as well as activities that provide practical application of key learning points. Instructor notes contain an icon and appear in a shaded text box for easier recognition.

**CONTENT ICONS** — The following icons are used throughout the guide:

<p><b>INSTRUCTOR NOTE:</b></p>  	<p><b>Instructor Note</b> (indicates additional information related to the content for the instructor)</p> <p><b>Checklist and Handout</b> (indicates a checklist or handout is associated with the content)</p> <p><b>Learning Activity</b> (indicates a learning activity)</p>
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**INSTRUCTOR NOTE:** Being prepared for training promotes organization, projects a positive image, and reduces stress.

Be prepared to discuss each checklist and handout in class. You should familiarize yourself with this content so you can effectively discuss each document during your presentation.

While this guide is written as a script, avoid reading it word-for-word. Familiarize yourself ahead of time so you feel comfortable covering the material in your own words.

Throughout the presentation, the checklist or handouts will be identified with an icon on the PowerPoint and an Instructor Note in this Instructor Guide.

**Materials and Equipment:**

- Projector/screen
- *Vesting in the Thrift Savings Plan (TSP)* course PowerPoint slides
- Chart paper and easel or whiteboard and markers
- Paper, pens, pencils
- Course sign-in sheet
- Course evaluations

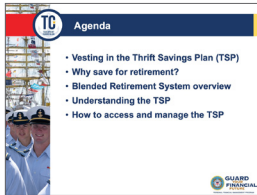
**Forms and Handouts:**

- *Vesting in the TSP Counselor and Member Checklists*
- *Military Retirement Handout*
- *Thrift Savings Plan Handout*
- *Basic Investing Handout*
- *Spending Plan Worksheet Handout*

## IV. CONTENT



SLIDE 1



SLIDE 2



SLIDE 3

## Introduction

Hello, my name is \_\_\_\_\_.

I am a \_\_\_\_\_.

(Describe your experience as a facilitator or with personal financial management.)

The information I'll provide over the next 60 minutes will help you better understand *Vesting in the Thrift Savings Plan (TSP)*, so let's get started!

## Agenda



**INSTRUCTOR NOTE:** Distribute *Vesting in the Thrift Savings Plan* Member Checklist.

To help you understand the content in this presentation, we will use the *Vesting in the Thrift Savings Plan* Member Checklist to explore:

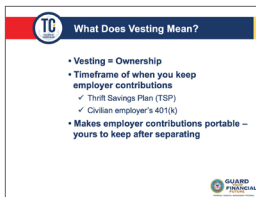
- Vesting in the TSP
- Why save for retirement?
- Blended Retirement System (BRS) overview
- Understanding the TSP
- How to access and manage the TSP

I'll also point you to free resources that can help you take action on what we discuss.

## What Does Vesting Mean?



**ACTIVITY:** Ask the class *What does the term "vesting" mean?* Confirm their answers and move to the next slide where you will explain vesting in detail.



## SLIDE 4

## What Does Vesting Mean?

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### Timeframe Required to Keep Employer Contributions

Vesting in the TSP means that you have met the “timeframe” or service requirements that entitle you to keep the automatic 1% contribution. The term vesting is used by the TSP and by civilian employer retirement plans like a 401(k).

### Makes It Portable

When you are vested, this means you can take all the employer contributions with you after you separate or retire and can transfer it to another retirement account if you choose to.

### Your Contributions Are Always Yours to Keep

It's worth noting that all of your contributions are always yours to keep. Vesting applies to the automatic and service matching contributions from the Coast Guard.



## SLIDE 5

## When Am I Vested?

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Let's look at when you are vested in the TSP. There are two different scenarios when vesting begins based on when you joined the military:

**Service members who were serving as of December 31, 2017**, and “opted” into the Blended Retirement System (BRS), will receive Service automatic contributions of 1% of their basic pay, immediately. These contributions and their earnings are vested once they have completed two years of service based on your pay entry base date (PEBD).

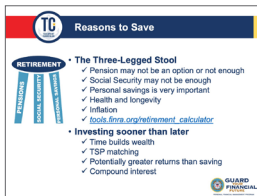
Service members will also receive Service matching contributions up to 4%, based on their own contributions of basic pay immediately. These contributions and earnings are vested since they have already completed two years of service.

**Service members who joined on or after January 1, 2018**, are automatically enrolled in the BRS and begin receiving the 1% automatic contribution 60 days after entering service. Once they have served two years, they will receive Coast Guard matching contributions up to 4% of their basic pay contribution. They will be vested after serving two years in both the 1% automatic and the Coast Guard matching contributions.

By contributing 5% you are essentially “doubling” your investment as the government matches up to 5%.



## SLIDE 6



## SLIDE 7

# Why Save for Retirement?



**ACTIVITY:** Ask the class *Why should you save for retirement and how much do you think you'll need?* Confirm their answers and move to the next slide where you will provide several good reasons.

## Reasons to Save

Retirement may seem like a distant dream, but it'll be here before you know it! So, it's important to start planning and saving now to achieve financial security during your retirement years.

Let's start with the questions you just answered by looking at a metaphor often used in the retirement planning arena known as the "Three-Legged Stool." It refers to the three common sources of income during retirement.

The first leg is income from **pensions**, the second from **Social Security** and the third from **personal savings**.

Combined, these three sources are designed to provide you with a strong foundation for your retirement. However, this foundation may not be as sturdy as it used to be.

Here's why: First, to earn a military pension, you'll have to serve a minimum of 20 years in most cases. Add to that, most civilian employers no longer offer pensions and instead offer plans similar to the TSP, like 401(k)s, where the contributions, investment choices, and risk are on you versus the employer.

Let's look at Social Security next. Unfortunately, this benefit is not guaranteed. The Social Security Administration has stated in the past that they may have to cut benefits to accommodate the number of retirees in the future given the amount of money that's available.

So, that leaves the third leg of the stool which is personal savings. This is an area that you can control, and it brings us back to the questions we started with, why save for retirement and how much do you need?

Here's the bottom line. There is a good chance that your retirement may be balancing on one leg – your personal savings – and you definitely want it to be as strong as possible.

So, how much is enough? There is no magic number but the more the better. A general rule is to save 10% to 15% of your pretax income toward savings and investing. Financial experts suggest you will need approximately 55% to 80% of your pre-retirement income to maintain your standard of living.

However, your number – what you’re going to need at retirement – is going to depend on the cost of the lifestyle you want to live in retirement. You also have to consider your **health and longevity** (how long will you live). Financial experts suggest planning for up to 100 years of age. You also have to factor in inflation. The average rate of inflation is 3% – 4%. Are you saving or investing in something that can beat this rate on average?

One way to figure this out is to use an online calculator like the FINRA ([tools.finra.org/retirement\\_calculator](https://tools.finra.org/retirement_calculator)) or the military compensation calculator which can be found at [militarypay.defense.gov](https://militarypay.defense.gov). It can help you determine how much you need to save each year from now until retirement based on your estimates of retirement income and existing savings.

### **Investing Sooner Rather Than Later**

Investing now for retirement offers three essential tools for accumulating the most money possible:

1. Time
2. Coast Guard matching contributions (or a greater amount)
3. Potentially a greater rate of return compared to savings

**Compound interest** is the cycle of earning interest on interest! It’s the money your money makes.

When you are in the BRS, the Coast Guard matches up to 4% of your basic pay contribution and automatically contributes 1% into your TSP. Which means if you contribute 5% the Coast Guard contributes 5%.

By contributing 5% you are essentially “doubling” your investment as the government matches up to 5%.



Basic Investing	Start Age	Monthly Investment	Total Invested	Total Earned*
Pressy	20	\$200	\$108,000	\$1,054,908
Mandi	25	\$200	\$96,000	\$698,202
Steve	35	\$200	\$72,000	\$298,072

\*Assuming an 8% Rate of Return to age 65

**SLIDE 8**

## Time = Money (Saving for Retirement Example)



**INSTRUCTOR NOTE:** Distribute *Basic Investing* Handout.

Let's now take a look at the *Basic Investing* Handout and the example of Pressy, Mandi and Steve to help illustrate the power of compound interest and why it's important to start early.

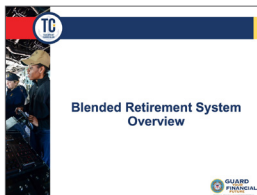
Pressy, Mandi and Steve all want to save for retirement. Pressy starts at age 20 saving \$200 per month. Mandi starts at age 25 saving the same \$200 per month. Steve waits until age 35 to save \$200 per month. Assuming the same 8% rate of return for each of them, see the chart in the presentation (and handout) for their results:

- Pressy invests \$108,00 over 40 years and has \$1,054,908 at age 65
- Mandi invests \$96,000 over 35 years and has \$698,202 at age 65
- Steve invests \$72,000 over 30 years and has \$298,072 at age 65

Even though Pressy only saves \$12,000 more than Mandi, she retires with \$350,000 more than Mandi. Time is Money! This example clearly illustrates how saving for retirement early pays off. Time builds wealth, so don't delay in saving as much as you can in your TSP.

If time permits, refer learners to the *Basic Investing* Handout to discuss three good reasons to invest:

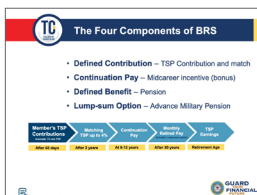
1. Potential for higher returns
2. Achieving long-term goals
3. Inflation



**SLIDE 9**

## Blended Retirement System Overview

The BRS is a modernized retirement plan that went into effect for all new Service members on January 1, 2018. Service members who had less than 12 years of service at that time had one year to opt into the BRS.



**SLIDE 10**

## The Four Components of BRS



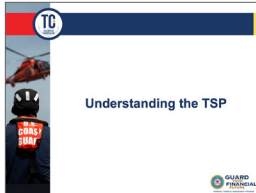
**INSTRUCTOR NOTE:** Distribute and discuss *Military Retirement* Handout.

As you look at the *Military Retirement* Handout, you see that there are two military retirement systems, the Legacy or "High-3" and the Blended Retirement System (BRS). If you're vesting in the TSP, that means you're in the BRS.

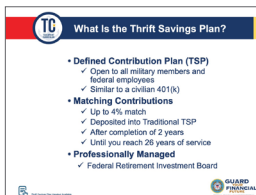
There are four components of the BRS, which include a **defined contribution** (consisting of Coast Guard automatic and matching contributions to a Service member's TSP), a midcareer incentive called **Continuation Pay**, a **defined benefit** (also known as a Pension) typically after 20 years of service, and a **Lump-sum Option** at retirement.

## Understanding the TSP

Next, let's have a more detailed discussion on the TSP.



### SLIDE 11



### SLIDE 12

## What Is the Thrift Savings Plan?



**INSTRUCTOR NOTE:** Distribute *Thrift Savings Plan* Handout.

You were automatically enrolled into the plan at 60 days of service, but do you understand the TSP? This next section is designed to help you understand and manage it.

Let's start off with explaining what the TSP is by using the Member Checklist and the *Thrift Savings Plan* Handout.

### Defined Contribution Plan

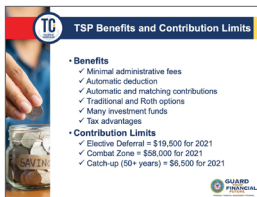
The TSP is a type of retirement saving plan (aka defined contribution) open to all Coast Guard members and federal employees. Similar to a civilian 401(k), the TSP offers the opportunity for Service members to save and invest for retirement.

### Matching Contributions

Under the BRS, you may receive up to 4% in Service matching contributions, on top of the automatic 1% contribution into your TSP, which are deposited into the Traditional TSP. Automatic and matching contributions continue through the end of the pay period during which you reach 26 years of service.

### Professionally Managed

The Federal Retirement Investment Board, who contracts with BlackRock Institutional Trust Company (N.A.) (BlackRock) to manage many of the fund's assets, professionally manages the Thrift Savings Plan.



## SLIDE 13

# TSP Benefits and Contribution Limits

## There Are Many Benefits To Participating In The TSP:

- Minimal administrative fees — .043% per \$1,000 managed, roughly \$.42/\$1,000. Average 401(k) charges up to 1%.
- Minimal investment expenses — the cost of owning the respective funds is low. L Funds may have an additional cost associated with them, too.
  - F – 0.004%
  - G – 0.000%
  - C – 0.001%
  - S – 0.018%
  - I – 0.007%
- Automatic deductions — it comes right out of the paycheck before you even see it.
- Automatic and matching contributions — as we have mentioned already, there is a 1% automatic and up to 4% matching contribution.
- Traditional and Roth Options — there are options to contribute pretax (Traditional) or post tax (Roth) contributions (use the *Thrift Savings Plan* Handout to explain the differences).
- Many investment funds — which we will briefly discuss in a moment.
- Tax advantages — Traditional contributions give you a tax break today and earnings are tax-deferred. You will pay taxes on both when you withdraw your money. Roth contributions are made with after tax income so they are not taxed when withdrawn. The earnings are tax-free as long as certain rules are met.

**Contribution Limits.** Even though you can contribute up to 100% of your pay to TSP, every year the IRS sets annual contribution limits.

Elective Deferral = \$19,500 for 2021 — This is the amount YOU can contribute to TSP. This is called the elective deferral limit and applies to the total of your Traditional and Roth contributions and other qualified retirement plans, like a 401(k) if you participated in one.

**INSTRUCTOR NOTE:** Be sure to share this point with any Reservists attending training.

Annual Additions Limit = \$58,000 for 2021 – This is the total amount that can be contributed to a qualified retirement plan, which includes your contributions and any from your employer. Under certain situations, this limit may be higher, so see *tsp.gov* for more information.

**INSTRUCTOR NOTE:** Point this out if there are Reservists.

Catch-up = \$6,500 for 2021 – The catch-up contribution limit is \$6,500 (2021) for participants age 50 and older. If you reach age 50 this year (2021), your elective deferral limit is \$26,000 and annual addition limit is \$64,500.

Service in a Combat Zone – If you serve in a combat zone, you may be able to exceed the elective deferral limits. Your Roth contribution is limited to the elective deferral amount, but your Traditional contributions may not be. Regardless, your contributions (Traditional and Roth) plus the Automatic and Matching Contribution from the Coast Guard, are limited to the annual additions limit.



## SLIDE 14

## Five Core TSP Funds

**INSTRUCTOR NOTE:** Refer students to the *Thrift Savings Plan Handout* and briefly review and discuss the information below. Before class, look up the current fund rates of return on [tsp.gov](http://tsp.gov). Encourage students to attend a TSP class at their local Health, Safety and Work-Life (HSWL) Regional Practice to learn more. Encourage them to meet with you (CFS) or their local Personal Financial Manager (PFM) to discuss their personal spending plan and financial goals.

Let's now review the investment fund options available to you in the TSP to determine which fund(s) work for your objectives, risk tolerance and time horizon. The TSP offers several "Lifecycle" and five individual or core investment funds to choose from.

By default, all of your TSP contributions are invested in an age-appropriate Lifecycle Fund (L Fund). You always have the ability to change your investment mix for your current balance and future contributions.

**G Fund**— Assets are managed internally by the Federal Retirement Thrift Investment Board and are comprised of nonmarketable U.S. Treasury securities guaranteed by the U.S. government. This means that the G fund will not lose money. However, it also may not be the best investment when trying to achieve long-term goals (it does not capitalize well on the benefits of compounding interest).

**F Fund**— The Fixed Income Index Investment (F) Fund is invested to track the Bloomberg Barclays U.S. Aggregate Bond Index. The (F) Fund portfolio includes only investment-grade fixed income securities.

**C Fund**— The Common Stock Index Investment (C) Fund tracks the Standard & Poor's 500 (S&P 500) Index. This is a market index made up of the stocks of 500 large to medium-sized U.S. companies.

**S Fund**— The Small Capitalization Stock Index (S) Fund is invested to track the Dow Jones U.S. Completion Total Stock Market (TSM) Index. This is a market index of small and medium-sized U.S. companies that are not included in the S&P 500 Index or "small-cap" funds.

**I Fund**— The International Stock Index (I) Fund is invested in a stock index that tracks the Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) Index and is a broad international market index comprised of large companies from 20 countries' "International" funds.

To learn more about the Thrift Savings Plan be sure to visit [tsp.gov](http://tsp.gov).

## SLIDE 15

## TSP's Lifecycle Funds

**Lifecycle Funds** are designed to automatically adjust to reflect risk based on the targeted timeframe a member plans to retire. They are designed for participants who may not have the time or experience to manage their TSP portfolio.

Notice that as someone moves closer to retirement (target date), the exposure to equity decreases and the exposure to stable or fixed income increases. This is designed to provide a smooth glide path to retirement.

## SLIDE 16

## Evaluate Your Retirement Goals

**INSTRUCTOR NOTE:** Encourage students to learn more about retirement planning by attending a PFM-lead Retirement training or attend a CG SUPRT Personal Financial Wellness Webinar or in person training on “Dreaming of Retirement.” Recordings can be found via [CGSUPRT.com](http://CGSUPRT.com).

**Automatic Enrollment, Contributions.** As of October 2020, new members automatically begin contributing 5% of their base pay to their Traditional TSP on day 60 of service. To increase (or make changes) to your TSP contributions, visit Direct Access at [hcm.direct-access.uscg.mil](http://hcm.direct-access.uscg.mil).

**Evaluate Annually.** Every year you should evaluate your retirement goals. Do you need to increase your TSP contributions or change funds to meet your goals?

Analyze your spending plan. To help you evaluate and reach your retirement goals, you should analyze your spending plan to determine how much you can afford to contribute toward your retirement goals. Remember to contribute at least 5% to take advantage of the full government match. Matching contributions are FREE money.

**Review Funds:** Are the funds you are contributing to working for your objectives, risk tolerance and time horizon? If not, do you need make a change? To make elections for future contributions, log into your account on [tsp.gov](http://tsp.gov). For more information, speak to a Personal Financial Manager (PFM) at your local Health, Safety and Work-Life (HSWL) Regional Practice Matching contributions are FREE money.



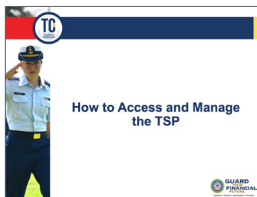
## SLIDE 17

## Tax Treatment Options

**Traditional vs. Roth.** So, how do you decide between contributing to the Traditional or Roth option in your TSP account?

If you want to lower current income taxes and defer them until retirement, select Traditional contributions.

Alternatively, select Roth contributions if you'd prefer to pay income taxes on your contributions now and avoid taxes on qualified withdrawals in the future.



## SLIDE 18

## How to Access and Manage TSP

Now that you know about the TSP, let's briefly go over how to manage it.



## SLIDE 19

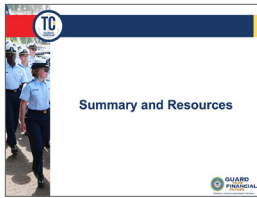
## How to Access and Manage TSP

There are two main websites you will use to access and manage your TSP: *Direct Access* and *tsp.gov*.

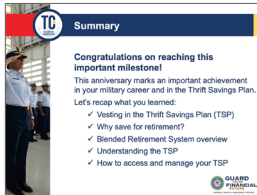
*Direct Access* — To start, stop, or change contributions to your TSP, login to Direct Access at *hcm.direct-access.uscg.mil*. Here, you can change how much of a type of pay (basic or special and incentive) you want to invest and which account you want it invested in. Also, verify and update your address.

*TSP.gov* — To access and manage your TSP account, you'll need to visit *tsp.gov* and log in with your username. You will need your account number\* to create a username that you will use to log in to the website. Here you can view your portfolio, manage your investments, and change your future allocations.

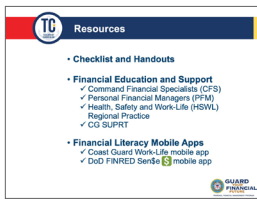
**INSTRUCTOR NOTE:** \*If you have misplaced or lost your account number, visit *secure.tsp.gov/tsp/forgottenUserID.html* to request the account number be mailed to you. Be sure to verify and update your address in Direct Access first.



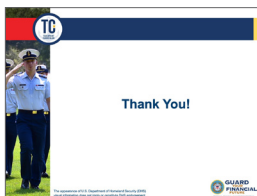
## SLIDE 20



## SLIDE 21



## SLIDE 22



## SLIDE 23

# Summary and Resources

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Now let's take our last couple of minutes together to review what we've covered.

## Summary

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We discussed the following topics:

- Vesting in the TSP
- Why save for retirement
- Blended Retirement System (BRS) overview
- Understanding the TSP
- How to access and manage your TSP

Do you have any questions on any of the topics we covered today?

## Resources

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Please read through your checklist and handouts and refer back to them. They are a great resource to help navigate the financial decisions you'll need to make.

You are not alone! You have many layers of support to help you learn more and make good financial decisions.

You can reach out to your unit CFS, nearest PFM, or Money Coach through CG SUPRT. You may also attend a personal finance workshop at your local HSWL Regional Practice. You may also access the Coast Guard Work-Life mobile app or the FINRED Sen\$e mobile app for assistance with a variety of personal finance issues.

## Thank You!

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Thank you for participating today, and I wish you the best in your military career.