



Vesting in the Thrift Savings Plan (TSP)

Instructor Guide



I. COURSE ORGANIZATION AND OUTLINE

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

1. **Introduction and Agenda** (2 minutes)
 - Welcome
 - Facilitator Introduction
 - Review of Agenda

2. **Vesting in the TSP** (3 – 4 minutes)
 - What Does Vesting Mean?
 - When Am I Vested?

3. **Why Save for Retirement?** (5 – 6 minutes)
 - Reasons to Save
 - Time = Money (Saving for Retirement Example)

4. **Blended Retirement System Overview** (5 – 6 minutes)
 - The Four Components of BRS
 - ✓ Defined contribution (TSP)
 - ✓ Continuation Pay
 - ✓ Defined benefit (Pension)
 - ✓ Lump-sum

5. **Understanding the TSP** (10 – 12 minutes)
 - 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** (4 minutes)

TOTAL: 30 – 35 minutes

II. LEARNING OBJECTIVES



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

- TLO:** Comprehend the components of Service member's military retirement system and the importance of preparing for retirement.
ELOs: Understand the components of 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 TSP account. Be able to update beneficiaries for 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>INSTRUCTOR NOTE:</p>  	<p>Instructor Note (indicates additional information related to the content for the instructor)</p> <p>Checklist and Handout (indicates a Checklist or Handout is associated with the content)</p> <p>Learning Activity (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 needed:

- 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* Checklist
- *Military Retirement* Handout
- *Thrift Savings Plan* Handout
- *Basic Investing* Handout
- *Spending Plan Worksheet* Handout

IV. CONTENT



SLIDE 1



SLIDE 2



SLIDE 3

Introduction

Facilitator Introduction

Introduce yourself by providing:

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 30 – 35 minutes will help you better understand *Vesting in the Thrift Savings Plan (TSP)*, so let's get started!

Agenda



INSTRUCTOR NOTE: *Vesting in the Thrift Savings Plan* Counselor Checklist

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

- Vesting in the TSP
- Why save for retirement?
- Blended Retirement System (BRS) overview
- Understanding 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?

Timeframe of When You 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 your employer.



SLIDE 5

When Am I Vested?

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:

1. **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).

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

2. **Service members who joined on or after January 1, 2018**, are automatically enrolled in the BRS and begin receiving the 1% Service Automatic Contribution 60 days after entering service. Once they have served two years, they will receive Service 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 Service Matching Contributions.



SLIDE 6

Why Save for Retirement?



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



SLIDE 7

Reasons to Save

Retirement may seem distant for you, but it'll be here before you know it. Start planning now to obtain financial security during your retirement years. Here are several reasons to save for retirement now.

Retirement Can Be Expensive

The main reason you want to save for retirement now is retirement can be expensive depending on your desired lifestyle. A **pension** may not be an option. Outside of the military there are very few civilian employers offering a pension anymore. Your **social security** may not be enough to fund the lifestyle you want in retirement. You also have to consider your **health and longevity** (how long will you live). Financial experts suggest to plan 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 in a product that will beat this rate on average?

Investing Can Be Easy

The solution to this potentially expensive retirement problem is investing. Investing now for retirement offers three essential tools for accumulating the most money possible:

1. Time
2. TSP 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, making more money.

When you are in the Blended Retirement System (BRS), the military matches up to 4% of your basic pay contribution and automatically contributes 1% into your TSP. Which means if you contribute 5% the military contributes 5%. You have already doubled your investment.

Name	Start Age	Monthly Contribution	Total Contributions	Total Account
Pressy	20	200	120,000	\$241,100
Mandi	25	200	60,000	\$188,200
Steve	35	200	30,000	\$108,200

SLIDE 8

Time = Money (Saving for Retirement Example)



INSTRUCTOR NOTE: *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 and tries to play catch-up by saving \$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. Even though Pressy only saves \$12,000 (\$2,400 for 5 years) more than Mandi, she ends up with more — over \$150,000 more by age 65. Steve, by age 65 has significantly less than either.

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.



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 1 year to opt into the BRS.



SLIDE 10

The Four Components of BRS



INSTRUCTOR NOTE: *Military Retirement* Handout

Let's use the *Military Retirement* Handout to briefly discuss the four components of the BRS, which include a **defined contribution** (consisting of DoD automatic and matching contributions to a Service member's TSP), a mid-career 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.



SLIDE 11



SLIDE 12

Understanding the TSP

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

What Is the Thrift Savings Plan?



INSTRUCTOR NOTE: *Thrift Savings Plan* Handout

You enrolled into it in boot camp, but do you understand the TSP? This next section is designed to help you understand it and how to manage it.

Let's start off with explaining what the TSP is by using the 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 military members and federal employees and members of the uniformed services. 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 \$1000 managed, roughly \$.42/\$1000. 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 – .018%
 - I – .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

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 2020 – 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: Point this out if there are Reservists or National Guard members.

Annual Additions Limit = \$57,000 for 2020 – 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 or National Guard members.

Catch-up = \$6,500 for 2020 – The catch-up contribution limit is \$6,500 (2020) for participants age 50 and older. If you reach age 50 this year (2020), your elective deferral limit is \$26,000 and annual addition limit is \$63,500.

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 your service, 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 below information. Before class, look up the current fund rates of return on tsp.gov. Encourage students to attend a TSP class at the local installation family service center to learn more.

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.

Beginning January 1, 2018, by default, TSP contributions were invested in a Lifecycle (L) Fund, which lines up with your retirement age.

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.



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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.



SLIDE 16

Evaluate Your Retirement Goals

INSTRUCTOR NOTE: Encourage students to learn more about retirement planning by attending the class “Planning for Your Retirement” at a local installation family service center.

Automatic Enrollment, Contributions. If you're a Service member who joined on or after Jan. 1, 2018, your service automatically enrolled you in the TSP and 3% of your basic pay is being contributed to your TSP unless you change it. Beginning in October 2020, that automatic contribution will increase to 5%. To increase (or make changes) to your TSP contributions, visit www.mypay.dfas.mil or *Direct Access for USCG*.

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 need to 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.



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.

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. For more information, speak to a financial counselor at your installation.



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: *myPay* or *Direct Access* and tsp.gov.

myPay— To start, stop, or change contributions to your TSP, login to myPay at mypay.dfas.mil/mypay. 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.

While you are active, going to the TSP section of myPay is the quickest and easiest way to update your TSP mailing address. You should know that the “Correspondence Address” section of myPay will NOT update your information with the TSP. You MUST go to the TSP section of myPay to change your TSP address.

On the other hand, if you are separated from service, you can view and change your address by logging into the “My Account” section of the TSP website or complete and print a Form TSP-9, Change in Address for Separated Participant, to submit by mail or fax. USCG personnel will enroll in TSP via Direct Access.

TSP.gov— To access and manage your TSP account, you'll need to visit *tsp.gov* and log in with your account number*. 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 www.tsp.gov/tsp/forgottenAccount.html to request the account number be mailed to you. Be sure to verify and update your address in myPay or direct access first.



SLIDE 20



SLIDE 21



SLIDE 22



SLIDE 23

Summary and Resources

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

Summary

We discussed the following topics, do you have any questions on any of them:

- Vesting in the TSP
- Why save for retirement?
- Blended Retirement System (BRS) overview
- Understanding the TSP
- How to access and manage your TSP
- *tsp.gov* and IRS Publication 3—Armed Forces' Tax Guide

Resources

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 talk to your CFS at your unit or meet with a PFM and attend a class at your local installation service center. You can call Military OneSource or CG SUPRT for additional assistance. This is a great option for flexibility of scheduling since the call center has extended hours. You may also access the FINRED Sen\$e mobile app or the MyNavy Financial Literacy mobile app for assistance with a variety of personal finance issues.

Thank You!

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