



Flight Plan to Financial Freedom



Air Force Financial Readiness Retirement Planning Starter Instructor Guide

May 2020

Guidance on financial readiness training requirements are outlined in AFI 36-3009 (10 May 2019), *Airman and Family Readiness Centers*.

Under the U.S. Military's Blended Retirement System (BRS), Airmen have unprecedented opportunity and responsibility to determine their future income by the choices they make in their first terms of service. Upon completing two years in the Air Force, Airmen vest in the Thrift Savings Plan (TSP). This means that all Service Automatic contributions made to their TSP accounts during their first two years become theirs to keep. Airmen who contribute to their TSP accounts are also then eligible for matching contributions from DoD, up to 5% of basic pay. This course prepares Airmen to make responsible decisions about their TSP contributions as they become vested in TSP.

This course is intended for Airmen under BRS who are approaching two years of service.

COURSE ORGANIZATION

Retirement Planning Starter comprises four parts:

- › Introduction
- › Financial Planning for Retirement Starter
- › Your Vested TSP Account
- › Conclusion

COURSE MATERIALS

A list of required materials is included in the materials section. All learning aids are included with the course materials and instructors may print new blank forms as needed.




A bank of items for quizzing and review is included among the course materials, to be used at the instructor's discretion.

INSTRUCTOR NOTES

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:

Instructor Note:	<i>Indicates additional information related to the content for the instructor</i>
	Handout (<i>Indicates a handout is associated with the content</i>)
	Learning Activity (<i>indicates a learning activity</i>)
	Animated Slide (<i>indicates that a slide is animated</i>)



TRAINING EVALUATIONS

Upon completion of the *Retirement Planning Starter* training, learners are encouraged to complete a training evaluation.

Please check the Personal Financial Readiness (PFR) Operations Guide for the most current information on how to complete a course evaluation and encourage learners to complete the evaluation.

GUEST SPEAKERS

The use of guest speakers is to be determined by each Airman and Family Readiness Center (A&FRC) or command. Speakers may be invited to present information about a specific organization or as a subject matter expert. Use of guest speakers must comply with Air Force Instruction (AFI) 36-2925, *Personal Commercial Solicitation on Air Force Installations*, and use only Air Force-provided materials; that is, this training.

COURSE DESCRIPTION

- I. Length of Training. *Retirement Planning Starter* shall consist of approximately 60 minutes of live classroom training.
- II. Sections. *Retirement Planning Starter* contains an introduction, two content sections, and a conclusion. (Please see the content outline for details.)
 - A. Introduction
 - B. Financial Planning for Retirement Starter
 - C. Your Vested TSP Account
 - D. Conclusion

LEARNING OBJECTIVES

Course Terminal Objective: Upon completion of this course, learners should be able to recognize principal concepts of saving and investing, maximize matching contributions to their TSP accounts, make contributions from multiple income sources other than basic pay, and manage the distribution of funds in their TSP accounts.

- I. Financial Planning for Retirement Starter
 - A. **Terminal Objective:** Upon completion of this course, learners should be able to understand the purpose and value of saving and investing for retirement.
 - B. **Enabling Objective:** During the *What's Your Goal?* activity, learners will apply knowledge of compound earnings and matching contributions to maximize their projected retirement funding.
- II. Your Vested TSP Account
 - A. **Terminal Objective:** Upon completion of this course, learners should know how to maximize matching contributions to their TSP accounts, make contributions from sources other than basic pay, and manage the distribution of funds in their TSP accounts.
 - B. **Enabling Objective:** During the *Your Retirement Hole in One* review game, learners will assess their knowledge of retirement planning concepts and practices.



SUMMARY OF LEARNING ACTIVITIES

- › *What's Your Goal?*: A demonstration in which learners see how to use a financial calculator for projecting the steps they need to take to reach a financial goal.
- › *Your Retirement Hole-in-One*: A review game in which learners review retirement planning concepts and practices.

CONTENT OUTLINE

- I. Introduction (5 minutes)
 - A. Welcome and Facilitator Introduction
 - B. Course Purpose and Rationale
 - C. Agenda
- II. Financial Planning for Retirement Starter (20 minutes)
 - A. Growth Over Time
 - 1. What Are You Planning For?
 - 2. Compounding and Time (Video)
 - 3. Compounding and Time
 - 4. Rate of Return
 - B. Learning Activity: *What's Your Goal?*
 - C. Why Start Saving Now?
 - D. Summary
- III. Your Vested TSP Account (25 minutes)
 - A. BRS Review
 - B. Thrift Savings Plan (TSP)
 - C. Lifecycle Funds (Video)
 - D. Matching Contributions
 - E. Where Will the Money Come From?
 - F. Contribution Choices
 - G. Other TSP Advantages
 - H. Caution
 - I. Managing Your TSP Account
 - J. TSP Funds
 - K. Investing Beyond TSP
 - L. Revisit and Revise
 - M. Review
 - N. Learning Activity: *Your Retirement Hole in One!* game



IV. Conclusion (5 minutes)

- A. Closing
- B. Evaluation
- C. Certificates

MATERIALS AND EQUIPMENT

Materials and equipment needed (these may vary depending on the activities chosen):

- › Projector/screen
- › *Retirement Planning Starter* PowerPoint slides
- › *Your Retirement Hole in One!* game PowerPoint slides
- › Chart paper and easel or whiteboard and markers
- › Paper
- › Pens, pencils
- › Index cards

Forms:

- › Course sign-in sheet (from the course materials)
- › Current military pay table
- › *Compounding and Time: Rate of Return* handout
- › *Thrift Savings Plan: Wealth Building Made Easy* handout
- › *Questions and Answers about Changes to TSP Withdrawal Options* handout
- › *Know Your Financial Adviser* handout
- › Course evaluation
- › Course certificate

COURSE PREPARATION

Instructor Note: Being prepared for training promotes organization, projects a positive image, and reduces stress. To ensure proper preparation for your training, do the following:

- › Create a roster of learners before the training begins.
- › Set up an attendee sign-in sheet on a sign-in table near the front of the classroom.
- › Place a sharpened pencil and blank paper for notes at each seat.



CONTENT



SLIDE 1

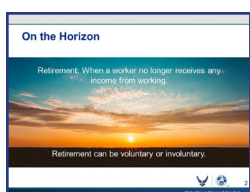
Introduction

Welcome and Facilitator Introduction

Welcome learners to *Retirement Planning Starter* and introduce yourself by providing:

- › Your name
- › Your position
- › Your experience as a facilitator and/or with retirement planning

Course Purpose and Rationale



SLIDE 2

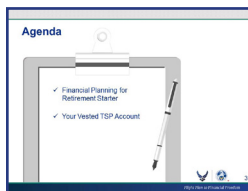
On the Horizon

Define “retirement” as the time in life when a worker no longer receives any income from working. Note that retirement can be voluntary or involuntary. Ideally, workers decide when they want to stop working and instead devote their time to family and leisure activities. However, workers often are forced to retire because of health, job loss, or other circumstances. In either case, advance preparation makes a big difference in retirees’ quality of life.

Remind learners that although retirement may seem to be a long way over the horizon, choices they make now, such as contributing to their TSP accounts, can give them a significant advantage when they do retire. Emphasize that the earlier they start financially preparing for retirement, the less money they will have to take from current earnings to fund their future lifestyles.

Disclaimer: Tell learners the information provided in this course does not constitute a formal endorsement of any company, its products, or services by the Air Force. Specifically, the appearance or use of external hyperlinks does not constitute endorsement by the Air Force of the linked websites, or the information, products, or services contained therein. The Air Force does not exercise any editorial control over the information you may find at these locations. This information provides informational resource material to assist military personnel and their families, to assist in identifying or exploring resources and options.





SLIDE 3

Agenda: What You Will Learn

Inform learners that *Retirement Planning Starter* will show them two ways they can save and make money now for retirement. The first is through compound earnings over time. The second is through maximizing their benefit from matching contributions to their TSP accounts.

Financial Planning for Retirement Starter



SLIDE 4

Growth Over Time

This section introduces learners to the rationale for planning ahead and investing for what may seem a very distant goal: The sooner they start, the less it will ultimately cost.



SLIDE 5

What Are You Planning For?

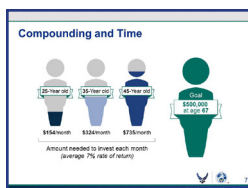
Acknowledge that “financial planning” can sound like dieting: if learners give up something tangible today, then they may receive a benefit later that is presently intangible. Within such a frame of reference, it is easy to see why dieting and financial planning seem difficult to many people. Fortunately, financial planning is less about present sacrifice than it is about taking advantage of opportunities when they are available. That way, money today makes more money for tomorrow.



SLIDE 6

Compounding and Time Video

Instructor Note: If internet connection is available, announce and play the linked video, *How Can Compound Earnings Work for Me?* (1:41 minutes) at <https://www.youtube.com/watch?v=dtIHqHSYZ-s>. Explain that you will be focusing on the wealth-building power of time and compounding—compound interest and compound earnings. With compounding, money makes more money. If the money in question is *their* money, it will make more money *for them*!



SLIDE 7

Compounding and Time

Instructor Note: Distribute the *Compounding and Time: Rate of Return* handout.

Explain that compounding (of interest on savings and of earnings on investments) is what happens when the money they save or invest makes more money. Compounding is powerful.

Take, for example, the case in the first column, in which a 21-year-old Airman invests \$154.47 each month for just 20 years (a total of \$37,073 out of pocket). If that money grows at a compounded average rate of return of 7% per year and she never takes any money out of the account, at age 67, she will have more than half a million dollars (an increase of almost 1,300%.)



Emphasize that compounding takes time. If the Airman starts saving the same amount just four years later, at age 25, she will have to save more than twice as much and for twice as long to reach the same goal. (Note that many financial planners suggest a retirement savings goal of at least \$500,000, in addition to Social Security and any pensions a retiree might earn. Remember, this number may seem impossible, but most learners have about 40 years to let this money grow!)



SLIDE 8



Rate of Return

Indicate the 7% rate of return on the handout. Tell learners that this is a current estimate of how financial markets may perform over a period of decades. Actual rates may be higher or lower. Ask learners how they think this estimated rate of return compares with the interest paid on savings accounts. (In January 2020, savings interest was about 0.9%.) Emphasize that because the rate of return on savings is so low, to benefit from the power of compounding, learners must invest as well as save, and that the TSP is an easy way for them to do so. They will learn more about TSP in the next section.

Instructor Note: At a 1.5% rate of return, a 21-year-old Airman would have to save \$288 a month for 47 years to reach a \$500,000 goal by age 67. The out-of-pocket expense would be \$162,432.



SLIDE 9



Learning Activity: What's Your Goal?

Purpose:

This activity familiarizes learners with a financial calculator they can use to project the steps they need to take to reach a financial goal.

Materials:

- › Pens, pencils
- › Index cards

Time:

5–10 minutes

Preparation:

Preview and test the online *How Much Will My Savings Grow?* calculator at <https://www.tsp.gov> > Planning and Tools > Calculators > How Much Will My Savings Grow? > Planning and Tools > Calculators > How Much Will My Savings Grow?



Procedure:

1. Explain to learners that this exercise will give them a chance to set concrete saving and investing goals based on their own current situations.
2. Reassure learners that you will not reveal anyone's financial information, but will pick two or three cards at random. (Optionally, you can ask for volunteers to enter their own information into the TSP calculator.)
3. Ask learners to write on their cards:
 - The number of years they have served so far.
 - The date they entered the Air Force.
 - An estimate of their current TSP account balance.
 - How many more years they intend to remain in the Air Force.
 - Their annual basic pay (an estimate will suffice).
 - The percentage of their salary they will contribute to TSP.
 - The number of years between now and when they hope to retire.
4. View two or three examples.
 - Select "Uniformed Services: BRS" as the Retirement System.
 - Select "Both" as the growth model in the "Select Your Type(s) of Growth" section.
 - Enter years served and DIEMS (date of initial entry into military service) in the "Your Service So Far" section.
 - Enter existing TSP account balance in the "Existing Account Balance" section. Enter 0 for none.
 - Complete the "Future Contributions" section.
 - "Years to Make Contributions" is the number of years until the Airman plans to leave the service, either the end of an enlistment or the end of a full career.
 - "Annual Pay" is basic pay, which is the basis for calculating the 1% Service Automatic contribution and any matching contributions. Airmen can also contribute all or part of special and bonus pays. Basic pay can be located on the latest military pay chart. For purposes of the exercise, a reasonable estimate of annual pay may be accepted.
 - "Percent of Salary to Save" is a whole number. For example, 5% would be entered as "5" rather than "0.05."
 - "Expected Percent Salary Increase" is also a whole number. It is conjectural, as well. Suggest a conservative 3% for a short term in the Air Force (1–5 years) and 5% for longer terms.



- For purposes of this exercise, leave “Annual Catch-Up Contributions” at \$0.00. (“Catch-up contributions” are additional contributions to 401(k) accounts beyond the annual ceiling—\$19,500 in 2020—that can be made by account holders 50 years of age and older.)
 - Complete the “Annual Growth” section.
 - “Number of Years Until You Start Withdrawing.” TSP distributions can begin as early as age 59.5 or as late as age 70 with a few exceptions. If Social Security benefits are a consideration when choosing a retirement date, then today’s Airmen will probably be eligible for Social Security at age 67.
 - Enter “7” for “Expected Annual Return.”
 - Click “Submit.”
 - Review the “Projected Account Balance Table.” Emphasize the relative sizes of actual contributions and growth from contributions.
 - Review the “Projected Growth of Your Account” graph. Review the color codes in the legend: bright orange for existing balance, light orange for account balance growth, bright purple for contributions, and light purple for contributions’ growth. Roll your cursor over the chart to review numbers associated with each year.
 - Demonstrate the value of matching contributions, which are included in the growth formulas of the TSP calculator, by clicking the “Change Scenarios” button at the top of the Savings Growth Estimate page (or the link to a specific section in the “Adjust Your Results” table below.) Under “Future Contributions,” produce an estimate for “Percent Salary to Save” of 0%, 3%, and 5%.
5. Emphasize that learners are not limited to contributions of 5% of their basic pay. They may—and should, if they can—contribute more, up to a total of \$19,500 a year (in 2020). Note that the \$19,500 ceiling may be raised during a year in which they serve in a combat zone. Contributions from basic pay will be matched up to 5%, but those who contribute more should be sure to spread contributions over an entire year to ensure they maximize matching contributions. These stop in the month the annual maximum is reached.
 6. Debrief the activity by reminding learners that the sooner they start building wealth to fund their retirement, the more they will make and the less it will cost them, both in the present and in the future. (See the next slide.)

[End activity.]





SLIDE 10



Why Start Saving Now?

Compounding is very beneficial for those who take advantage of it. Ask learners about factors that might reduce funds Airmen have available for TSP or other savings or retirement accounts.

One factor could be taxes. (Note: Some tax-reducing strategies will be discussed later.)

Inform learners another factor to consider is *inflation*. Inflation is the rate at which the prices of goods and services rise over time. In other words, it will always take more money in the future to purchase a good or service than it does today.

Tell learners inflation rates change over time, but the fact of inflation does not. For example, a box of cereal cost approximately \$2.99 in May 1998. The price for that same box of cereal today (July 2018) is approximately \$4.63! The difference is the direct result of inflation.

Ask learners what impact they think inflation will have on money they want to save for the future. Solicit responses, and highlight those reflecting knowledge that the interest earned in retirement investment accounts must earn a rate of return greater than the rate of inflation to make future money.

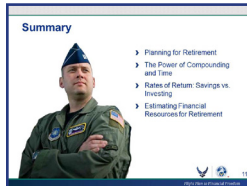
Inform learners that historically, inflation hovers around 1% to 3% per year. However, inflation is influenced by other economic indicators. It was almost 14% in the early 1980's and as low as negative 10% in the early 1930's. (Source: <https://www.multpl.com/inflation/table>). Emphasize that to have future buying power, they need to make smart investments towards retirement that outpace the cost of inflation.

Instructor Note: The Bureau of Labor Statistics has an online inflation calculator (<https://data.bls.gov/cgi-bin/cpicalc.pl>). If an internet connection is available and if time permits, demonstrate the calculator.

Bottom line: Learners should research possible retirement fund options to ensure that they offset the effects of inflation. If an investment account earns a 2% rate of return but inflation is 2.5%, what does that mean for the investor? The investor is losing future buying power because inflation is greater than earnings.



Put it all together: Learners must *plan* for success in retirement. Add the effects of compounding and time; add the rate of return on investments, and take away the effects of inflation, and they will see that they will need to accumulate a significant amount of money to be able to retire comfortably. Fortunately, time is on their side and they have access to a retirement savings plan with a long and successful track record: the TSP.



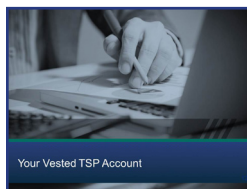
SLIDE 11

Summary

Remind learners that the first section in this course addressed the importance of planning for retirement, how to leverage compounding and time to earn the money now that they will want in retirement later, and rates of return on savings versus investments. They also learned how to estimate financial outcomes under different scenarios using tools from the TSP website.

Solicit and answer questions.

Tell learners that in the next section of the course they will learn more about how TSP can help them grow the funds they need to meet their retirement goals.



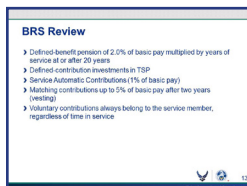
SLIDE 12

Your Vested TSP Account

This section introduces learners to retirement planning, including estimating retirement needs, assessing available resources for retirement, and building personal savings and investments.

Remind learners that they have seen examples of the power of compounding and time, and so they should understand the value of starting early. The earlier they begin to save and invest, the less they need to divert from current income to meet their long-range goals.

Remind learners that saving and investing has to be a priority. This means that they need to pay themselves first, from the top of their paycheck, not the bottom. The easiest way to do this is through contributions to the TSP.



SLIDE 13

BRS Review

Instructor Note: Before January 1, 2018, under the legacy retirement system, Airmen received a monthly pension reflecting a defined benefit of 2.5% of their basic pay multiplied by their years of service, *but only if* they completed at least 20 years of service.

The current Blended Retirement System (BRS), which came into effect on January 1, 2018, includes a *defined benefit* of 2.0% of basic pay multiplied by years of service after 20 years and a *defined contribution* element. Those who do not plan to serve for 20 years get to keep their voluntary contributions, Service Automatic Contributions, matching contributions (if they serve two years or longer), and earnings. Under BRS, all Airmen leave the service with a retirement benefit.

Thrift Savings Plan

Instructor Note: Distribute the *Thrift Savings Plan: Wealth Building Made Easy* handout. Refer to the TSP website for any changes affecting the military at www.tsp.gov.



SLIDE 14



Remind learners that the TSP is the retirement investment plan for federal employees and service members in the Blended Retirement System (BRS). It has the same type of savings and tax benefits as a 401(k) and has very low expense ratios, meaning it does not cost an investor very much. (TSP expenses were about \$0.42 per \$1000 in 2019, compared to about \$0.75 per \$1000—and up—for commercial investment accounts.)

Airmen are already receiving Service Automatic Contributions equal to 1% of their basic pay. Unless they direct otherwise, they are also making Individual Automatic Contributions of 5%; if they choose a lower percentage, it resets to 5% every year. If they have chosen to contribute a higher percentage, the instruction remains in force from year to year.

Those who have served for two years or more are vested in TSP. Vesting means two things:

- Members get to keep the 1% Service Automatic Contributions that have been made to their accounts, in addition to any voluntary contributions they may already have been making (which are always theirs).
- They are eligible to receive matching contributions up to 4% (for a total of 5% when combined with 1% Service Automatic contributions) of basic pay.

Lifecycle Funds

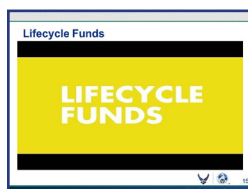
By default, TSP contributions are invested in a lifecycle (L) fund which balances risk and earnings goals according to the Airman's age.

Explain that lifecycle funds use a professionally balanced portfolio appropriate for an Airman's projected age of retirement. Airmen are not limited to lifecycle funds, however. They can also choose other TSP fund options.

The video on this slide provides additional information.

[If an Internet is available, play *Lifecycle Funds* video (1:53 minutes)]

<https://www.youtube.com/watch?v=r6rRMcgBNCc>



SLIDE 15



Matching contributions

E-4 with two years
Monthly basic pay: \$2,307 (2020)
Annual basic pay: \$27,687

Rate	You contribute	Participant contribution	Service Automatic contribution	Matching contribution	Total monthly contribution (all sources)	Total yearly contribution (all sources)	Total percent of basic pay saved (all sources)
0%	\$0	\$23.07	\$0	\$23.07	\$23.07	\$276.87	1%
1%	\$23.07	\$23.07	\$23.07	\$69.21	\$69.21	\$830.52	3%
2%	\$46.14	\$23.07	\$23.07	\$115.35	\$115.35	\$1,384.20	5%
3%	\$69.21	\$23.07	\$23.07	\$161.49	\$161.49	\$1,937.88	7%
4%	\$92.28	\$23.07	\$23.07	\$196.10	\$196.10	\$2,353.20	8.5%
5%	\$115.35	\$23.07	\$23.07	\$230.70	\$230.70	\$2,768.40	10%

*Service Automatic and Matching Contributions are deemed deposited into the Airman's TSP Traditional (pre-tax) account.

Flight Plan to Financial Freedom

SLIDE 16

Matching Contributions

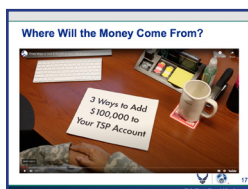
Explain to learners that matching contributions are a savings incentive offered by the federal government. Matching contributions are free money, and who does not like free money? Airmen should deposit as much free money in their TSP accounts as they can, so they can earn even more money through compounding.

The government matches every dollar Airmen contribute to their TSP investment accounts up to 3% of their basic pay. For every dollar they contribute at 4% and 5%, the government will add 50 cents.

Walk learners through the chart on the slide, which shows what a junior enlisted Airman would put in and get out of a TSP investing plan at different levels of funding.

E-4 with two years
Monthly basic pay: \$2,307 (2020)
Annual basic pay: \$27,687

You contribute	Participant contribution	Service Automatic contribution	Matching contribution	Total monthly contribution (all sources)	Total yearly contribution (all sources)	Total percent of basic pay saved (all sources)
0%	\$0	\$23.07	\$0	\$23.07	\$276.87	1%
1%	\$23.07	\$23.07	\$23.07	\$69.21	\$830.52	3%
2%	\$46.14	\$23.07	\$46.14	\$115.35	\$1,384.20	5%
3%	\$69.21	\$23.07	\$69.21	\$161.49	\$1,937.88	7%
4%	\$92.28	\$23.07	\$80.75	\$196.10	\$2,353.20	8.5%
5%	\$115.35	\$23.07	\$92.28	\$230.70	\$2,768.40	10%



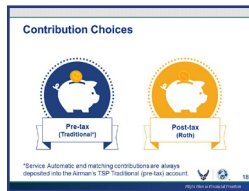
SLIDE 17

Where Will the Money Come From?

Ask learners how hard they think it would be for someone earning \$2,307 a month, plus allowances, to contribute \$57.68 (5% of basic pay) out of each paycheck, knowing he or she will get that much more added to his or her account. Ask learners what expenses they could reduce to help them earn an extra 4% of their own basic pay. Record answers on chart paper or white board.

Instructor Note: If internet connection is available, play the linked video, *Three Ways to Add \$100,000 to Your TSP Account* (1:58 minutes) at (<https://www.youtube.com/watch?v=HRI8TgYMIB4>).





SLIDE 18

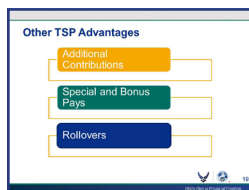
Contribution Choices

Explain to learners that TSP contributions can be deducted from their pay checks in two ways, Traditional or Roth. Service Automatic and matching contributions are always Traditional. The individual Airman's preference determines how voluntary contributions are made.

- › **Pre-tax (Traditional).** This lowers the Airman's current taxes by deferring them until the funds (and their earnings) are distributed in retirement. The Traditional approach assumes that retirement income will be lower than current income and, therefore, taxed at a lower rate. Service Automatic Contributions and matching are always deducted pre-tax. Unless Airmen stipulate otherwise, this is the way voluntary TSP contributions are earmarked as well.
- › **Post-tax (Roth).** Airmen pay taxes on their voluntary TSP contributions at the time of deposit, but pay no taxes on the funds (or their earnings) when they are distributed in retirement. This approach assumes current income is lower than what future retirement income will be and, therefore, is taxed at a lower rate now.

There is no one right answer in choosing whether TSP voluntary contributions should be in a Traditional or Roth account. The decision is up to the Airman and will be influenced by each individual's current situation and retirement goals. For more information, he or she should talk to a Personal Financial Counselor and Educator (PFC/E) at their A&FRC.

Learners can change their contribution elections of future contributions by logging into their myPay accounts.



SLIDE 19



Other TSP Advantages

Tell learners that in addition to matching contributions and tax advantages, their TSP accounts have other useful features:

- › **Additional Contributions:** Airmen can save more than 5% of basic pay if they want. In fact, they can contribute up to the IRS limit for retirement fund contributions (in 2020, the limit for most investors is \$19,500, though under conditions defined in IRS Publication 3, *Armed Forces' Tax Guide*, the ceiling may be as high as \$55,000 for Airmen serving in combat zones.) Service members older than 50 can also make "catch-up" contributions of \$6,500 per year.

Instructor Notes: (1) \$19,500 is the individual contribution limit (2) For Airmen deployed to combat Zones, an opportunity to contribute up to a total of \$55,000 into TSP exists. Refer Airmen who think they may qualify to the TSP Thriftline, 1-877-968-3778 (1-TSP-YOU-FIRST) for more information.



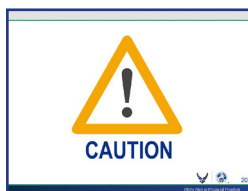
- › **Special and Bonus Pay:** Special pay, like aviation incentive pay and bonus pay, can be designated for deposit into TSP. Continuation pay, a mid-career incentive pay, can also be sheltered from taxes and saved for retirement by depositing the funds into a TSP account. Note that service members must be contributing at least 1% of their basic pay before contributing from special pays. Members must login to MyPay to indicate their preference for any special and bonus pay to be directed to their TSP prior to receiving the pay. If members do not set this up prior to receiving the pay, they will not be able to put this money into the TSP.

Instructor Note: Remind learners that for Airmen covered under BRS, only contributions made from Basic Pay are eligible to receive government matching contributions. Additional contributions from special and bonus pays to TSP will not be matched.

- › **Rollovers:** Remind learners that they will still have their TSP accounts when they leave the military and re-enter the civilian workforce. Over the years, they may accumulate money in several employer-sponsored 401(k) retirement plans. They may also fund individual retirement accounts (IRA). As they move from job to job, they may be able to roll these different accounts into their TSP. (They can also roll TSP balances into other 401(k) accounts, although TSP's very low fees may make that a less attractive option.)

Instructor Note: Distribute the *Questions and Answers about Changes to TSP Withdrawal Options* handout.

- › **In-service Withdrawals:** Note that starting in September of 2019, restrictions on in-service withdrawals from TSP accounts were relaxed. Learners should be aware, however, that they may pay a high price in retirement for the loss of compounding on funds withdrawn prior to retirement.



SLIDE 20

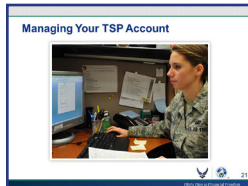
Caution

Remind learners that 401(k)-type accounts have a maximum contribution limit set by the Internal Revenue Service (IRS). This limit changes from year to year. As previously noted, in 2020, the limit is \$19,500.

Emphasize to learners that *in any year in which they expect to reach this limit across all employer-provided retirement plans, they need to spread contributions over the full year in order to take full advantage of 5% matching contributions*. Once they reach the IRS limit in a calendar year, no further matching contributions can be made. Guard and Reserve Airmen will need to pay particular attention to contributions to TSP and their civilian employer retirement plans.



Instructor Note: Guard and Reserve Airmen employed by state and local governments may be enrolled in 457(b) defined-contribution retirement plans. Contributions to 457(b) plans do not count toward the maximum annual contribution limit of 401(k)-type accounts. If the group for which you are facilitating includes Guard and/or Reserve members, ask if their civilian employers are state or local government agencies, and note this information for them.



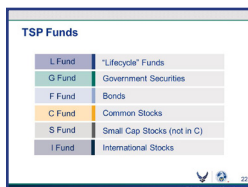
SLIDE 21



Managing Your TSP Account

Direct learners' attention to the contact information section of the *Thrift Savings Plan: Wealth Building Made Easy* handout. Note that TSP has both a telephone customer service line (the "ThriftLine") and a website that makes it simple for account holders to check on their TSP accounts and conduct transactions. The TSP website provides timely account and plan information. Here they will find rates of return, performance history, daily share prices, and fact sheets on each TSP fund. Learners can view their earnings statement online to check the status of their account and make changes to it.

Remind learners to keep their TSP accounts updated with their current contact information, including their mailing address. Contact information is updated through MyPay (<https://mypay.dfas.mil>). Learners should also ascertain that their beneficiary designation is current. Beneficiary changes must be made using form [TSP-3](#).



SLIDE 22



TSP Funds

Explain that their TSP contributions are invested by fund managers into funds that are unique to TSP. Emphasize that as TSP investors, learners can choose the balance of funds they want their contributions to purchase. They can also allow fund managers to invest contributions in lifecycle (L) funds, which is the default option for those who do not choose otherwise. Note that these funds are listed on their TSP handouts.

TSP is divided into six funds: G, F, C, S, I, and L funds. L funds are age-appropriate lifecycle funds utilizing all of the other funds. Review the chart below to learn more about each of the funds.



	G Fund	F Fund*	C Fund*	S Fund*	I Fund*	L Funds**
Description of Investments	Government securities (specially issued to the TSP)	Government, corporate, and mortgage-backed bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks of more than 20 developed countries	Invested in the G, F, C, S, and I Funds
Objective of Fund	Interest income without risk of loss of principal	To match the performance of the Bloomberg Barclays U.S. Aggregate Bond Index	To match the performance of the Standard & Poor's 500 (S&P 500) Index	To match the performance of the Dow Jones U.S. Completion TSM Index	To match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk	Inflation risk	Market risk, Credit risk, Prepayment risk, Inflation risk	Market risk, Inflation risk	Market risk, Inflation risk	Market risk, Currency risk, Inflation risk	Exposed to all of the types of risk to which the individual TSP funds are exposed - but total risk is reduced through diversification among the five individual funds
Volatility	Low	Low to moderate	Moderate	Moderate to high – historically more volatile than C Fund	Moderate to high – historically more volatile than C Fund	Asset allocation shifts as time horizon approaches to reduce volatility
Types of Earnings***	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
2019 Net Administrative Expenses****	0.43%	0.042%	0.042%	0.042%	0.042%	0.042%
Inception Date	04/01/1987	01/29/1988	01/29/1988	05/01/01	05/01/2001	08/01/2005

Source: <https://www.tsp.gov/InvestmentFunds/FundsOverview/comparisonMatrix.html>

* The F, C, S, and I Funds also have earnings from securities lending income and from temporary investments in G Fund securities. These amounts represent a very small portion of total earnings.

** Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

*** Income from interest and dividends is included in the share price calculation. It is not paid directly to participants' accounts.

**** Net expenses are offset by the forfeitures of Agency/Service Automatic (1%) contributions of FERS and BRS participants who leave Federal Service before they are vested, other forfeitures, and loan fees.



Choose a fund and explain the various comparison points. Encourage learners to visit <https://www.tsp.gov/index.html> for additional information or to make an appointment with a PFC/E at the A&FRC.

Instructor Note: If time permits, show learners the TSP Fund Performance Annual Returns (<https://www.tsp.gov/InvestmentFunds/FundPerformance/annualReturns.html>). Point out the Lifecycle Funds chart. They can also learn more by downloading the TSP funds booklet at <https://www.tsp.gov/PDF/formspubs/tsplf14.pdf>.



SLIDE 23

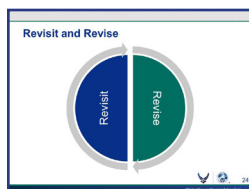


Investing Beyond TSP

Instructor Note: Distribute the *Know Your Financial Adviser* handout.

Note that some learners may wish to invest for purposes other than retirement, or in funds other than a 401(k). A good example would be a college fund for a child. For these investments, they may want or need the help of a financial adviser.

State that the handout lists ideas that will help them shop for an adviser and resources they can use to assess candidates' qualifications.



SLIDE 24

Revisit and Revise

Remind learners that financially planning for the future is an ongoing process throughout their working years. Suggest they write out their retirement goals, revisit the document, and adjust their saving and investing contributions every year or with major life events like marriage, promotion, relocation, or transition from military to civilian employment. Encourage them to work with a financial professional to ensure they are on track to meet their goals.



SLIDE 25

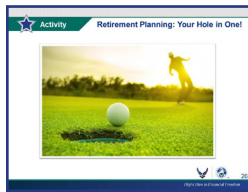


Review

Remind learners of key takeaways:

- › Commit to regular, consistent saving and investing as a financial priority. Treat saving and investment contributions like monthly bills.
- › Maximize matching contributions available in vested TSP accounts.
- › Make additional contributions to TSP, including special pays and bonuses.
- › Make informed choices about allocating contributions to various TSP funds.
- › Be a smart shopper when investing beyond TSP.





SLIDE 26



Learning Activity: *Your Retirement Hole in One!*

Instructor Note: This review game can be used in two ways. Using the “Next” button will navigate users through the questions in order, one at a time. Each slide requires three clicks of the right arrow or Enter keys. The first click reveals the question. The second click reveals the possible responses. The third click colors the correct response. This mode can be used in a single large-group setting in which scoring is by item or there is no scoring.

The game can also be used as a team competition, with team members selecting golf balls by number and receiving scores for correct answers according to the scoring matrix on the landing slide. In this mode, instructors should click the “tee up” button on each slide to return to the landing slide.

Purpose:

This activity reviews retirement planning concepts and practices presented in the course.

Materials:

- › Projector/screen
- › *Your Retirement Hole in One!* PowerPoint game

Time:

5–10 minutes

Preparation:

Preview and test the PowerPoint slides in the mode in which they will be used.

Procedure:

Explain to learners that this activity will review information presented in the course. If the game is played as a competition, recognize the winners at the conclusion of the game.

Instructor Note: Remember that in golf, the *lowest* score is the winning score.

Question Bank for *Your Retirement Hole in One!*

(Answers are shown in **bold**.)

1. Which is a factor to consider when planning for your retirement?
 - a. How long you have to invest before retiring
 - b. How much income you will need during your retirement years
 - c. The expected rate of return on investments
 - d. **All of the above**



2. If you are under 50 and have no combat-zone income, what is the limit for the maximum contribution to the TSP from basic pay, special pays, and bonuses in 2020?
 - a. \$16,500
 - b. \$17,500
 - c. \$18,500
 - d. **\$19,500**
3. The process through which money earns more money is called:
 - a. **Compounding**
 - b. Investing
 - c. Saving
 - d. Contributing
4. The possibility that investments may decrease in value rather than increase is called:
 - a. Retirement
 - b. **Risk**
 - c. Inflation
 - d. Interest
5. "Vesting" in the TSP means that you:
 - a. Can begin taking TSP distributions immediately.
 - b. **Start to receive Matching Contributions and can keep all Service Automatic Contributions.**
 - c. Are required to increase your TSP contributions.
 - d. Are guaranteed a defined-benefit pension.
6. Under the BRS, if you contribute 5% of your basic pay to your TSP account, the amount of money going into your account *from all sources*, (including the Service Automatic Contribution and Matching Contributions) will equal ____ of your basic pay.
 - a. 4%
 - b. 6%
 - c. 8%
 - d. **10%**
7. True or false: If you are enrolled in the TSP, you cannot have an IRA or other investment accounts.

False. You can have multiple investment accounts at the same time.



8. True or false: The TSP is like an IRA.

False. The TSP is a Government defined-contribution plan similar to a 401(k).

9. True or false: Retirement planning is something you need to do one time in your life and then you never have to think about it again.

False. You should write down your plan and revisit it at least once a year to ensure that your goals still meet your long-term needs.

10. Which of the following is essential for your investment earnings to earn more money?

- a. Distribution
- b. **Time**
- c. A financial adviser
- d. An attorney

[End activity.]

Conclusion



SLIDE 27

Closing

Solicit and answer any final questions.

Instructor Note: Remind learners that participant evaluations are an essential part of facilitation. Encourage learners to complete the training evaluation.

Explain that certificates are available, if needed, and can be collected before they leave the classroom.

Thank everyone for participating!

