



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* course is **organized into five parts**:

1. **Introduction and Agenda** (2 minutes)
2. **Vesting and the Blended Retirement System (BRS)** (10 minutes)
3. **Understanding the TSP** (10 minutes)
4. **Managing Your TSP** (10 minutes)
5. **Summary and Resources** (3 minutes)

TOTAL: 35 minutes

II. LEARNING OBJECTIVES




Terminal Learning Objectives (TLOs)

1. Comprehend the components of the Service member's military retirement system and the importance of preparing for retirement.
2. Understand and be able to manage a TSP account.

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:

<div>INSTRUCTOR NOTE:</div> <div>  </div>	<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> <p>Video – (indicates an optional video)</p>
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INSTRUCTOR NOTE: Being prepared for training promotes organization, projects a positive image, and reduces stress.

Be prepared to discuss the checklist and handouts 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. An in-depth review of each handout is not required but you are encouraged to manage time, course work, and audience interest during instruction.

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

Materials and equipment needed:

- Computer with display
- *Vesting in the Thrift Savings Plan (TSP)* course PowerPoint slides

Optional:

- Chart paper and easel or whiteboard and markers
- Paper, pens, pencils

Forms and Handouts:

- *Vesting in the Thrift Savings Plan (TSP)* Member Checklist
- Course sign-in sheet
- Course evaluations

Optional:

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

Videos:

<https://finred.usalearning.gov/SPL/ServiceResources/CoastGuardResource/VestingInTSP>

IV. CONTENT



SLIDE 1

Introduction

Facilitator Introduction

Introduce yourself.

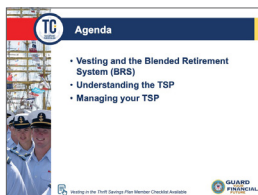
Hello, my name is _____.

I am a _____.

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

Congratulations on completing two years of service in the Coast Guard! This anniversary marks an important milestone in your Coast Guard career and Thrift Savings Plan (TSP). Under the Blended Retirement System (BRS), eligible Coast Guard members who complete two years of service become vested in the TSP.

Disclaimer: The information provided in this course does not constitute a formal endorsement of any company, its products, or services by the Coast Guard. Specifically, the appearance or use of external hyperlinks does not constitute endorsement by the Coast Guard of the linked websites, or the information, products, or services contained therein. The Coast Guard does not exercise any editorial control over the content you may find in these resources. The intent is to provide informative material to assist Coast Guard members and their families in identifying or exploring multiple options.



SLIDE 2

Agenda

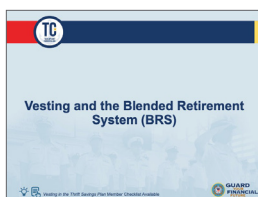


INSTRUCTOR NOTE: Distribute the *Vesting in the Thrift Savings Plan* Member Checklist.

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

- Vesting and the Blended Retirement System (BRS)
- Understanding the TSP
- Managing your TSP

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

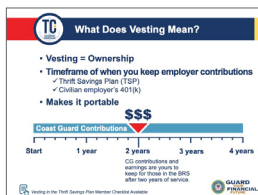


SLIDE 3



Vesting and the Blended Retirement System (BRS)

INSTRUCTOR NOTE: Ask the class what the term “vesting” means. Confirm their answers and move on to the next slide where you will explain vesting in detail. Play the optional videos, *Why Save for Retirement* and *Vesting in the TSP*.



SLIDE 4

What Does Vesting Mean?

Vesting = Ownership

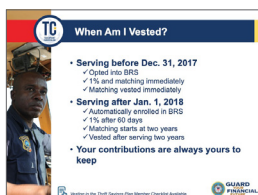
Being vested in the TSP means ownership of employer contributions made to your employer-sponsored retirement plan, like the Thrift Savings Plan or a civilian 401(k).

Timeframe of when you keep employer contributions

Being vested 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 in both the TSP and civilian employee retirement plans like a 401(k).

Makes it portable

When you are vested, 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.



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 Coast Guard:

Coast Guard members who were serving as of Dec. 31, 2017, and “opted” into the Blended Retirement System (BRS), will receive Coast Guard 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 the pay entry base date (PEBD).

After serving two years, they will also receive Coast Guard 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.

Coast Guard members who joined on or after Jan. 1, 2018, are automatically enrolled in the BRS and begin receiving the 1% Coast Guard 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 in both the 1% automatic and the matching contributions after serving two years.

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 6

Preparing for Retirement



INSTRUCTOR NOTE: Review the *Basic Investing* Handout.

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** benefits may not be enough to fund the lifestyle you want in retirement. You also have to consider your **health and longevity** (how long 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 four essential tools for accumulating the most money possible:

1. Time builds wealth
2. TSP matching contributions (or a greater amount)
3. Potentially a greater rate of return compared to savings
4. 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 Coast Guard matches up to 4% of your basic pay contribution and automatically contributes 1% into your TSP. This means if you contribute 5% the Coast Guard contributes 5%. You have already doubled your investment.

Benefits of starting early				
Basic Investing	Starting 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

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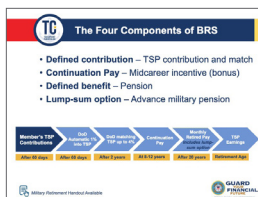
SLIDE 7

The Power of Compound Interest

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 begin, 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 five years) more than Mandi, she ends up with more — over \$350,000 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 8

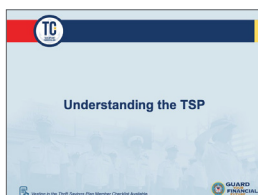
The Four Components of BRS



INSTRUCTOR NOTE: Review the *Military Retirement* Handout and play the optional video, *Military Retirement Overview*.



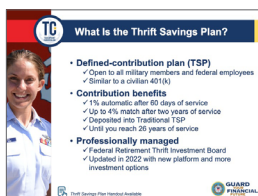
Let's use the *Military Retirement* Handout to briefly discuss the four components of the BRS, which include a **defined contribution** (consisting of Coast Guard automatic and matching contributions to a Coast Guard member's TSP); a midcareer incentive called **Continuation Pay**, a **defined benefit** (also known as a pension) typically after 20 years of service, and a **lump-sum option** at retirement.



SLIDE 9

Understanding the TSP

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



SLIDE 10

What Is the Thrift Savings Plan?



INSTRUCTOR NOTE: Review the *Thrift Savings Plan* Handout and play the optional video, *Understanding the TSP*.



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.

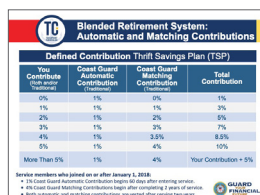
Let's start off with explaining what the TSP is by using the checklist and the *Thrift Savings Plan* Handout.

Blended Retirement System: Automatic and Matching Contributions

It's important to understand WHAT the TSP is.

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 Coast Guard members to save and invest for retirement.



Blended Retirement System: Automatic and Matching Contributions

Defined Contribution Thrift Savings Plan (TSP)

Your Contribution (each pay period)	Coast Guard Automatic Contribution (each pay period)	Coast Guard Matching Contribution (each pay period)	Total Contribution
0%	1%	0%	1%
1%	1%	1%	2%
2%	1%	2%	3%
3%	1%	3%	4%
4%	1%	4%	5%
5%	1%	4%	5%
More Than 5%	1%	4%	Your Contribution + 5%

Service members who joined on or after January 1, 2018:

- 1% Coast Guard Automatic Contribution begins on day one after entering service.
- 4% Coast Guard Matching Contributions begin after completing 3 years of service.
- Both automatic and matching contributions are waived after leaving two years.

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SLIDE 11

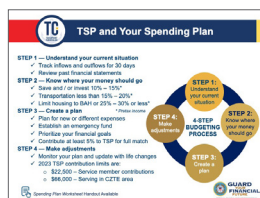
Matching Contributions

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. The 1% automatic contribution begins after you've completed 60 days of service. You are eligible to receive matching contributions after two years of service. Automatic and matching contributions continue through the end of the pay period during which you reach 26 years of service.

Let's review the chart on the bottom of the first page of your checklist. This chart outlines how much you will receive in automatic and matching contributions based on your contributions.

Professionally managed

The Federal Retirement Thrift Investment Board (FRTIB) contracts with BlackRock Institutional Trust Company (N.A.) and State Street Global Advisors Trust Company to professionally manage the Thrift Savings Plan. The TSP experienced a significant update in 2022 to include new digital tools and streamlined processes. Another significant change was the expansion of investment options to include a mutual fund window. Eligibility requirements apply, visit <https://www.tsp.gov/> for more information.



SLIDE 12

TSP and Your Spending Plan



INSTRUCTOR NOTE: Review the *Spending Plan Worksheet Handout*.

Remember, a good spending plan helps you manage your money, plan for your financial goals, and prepare for emergencies. Make your TSP contributions part of your spending plan. Ensure you can meet your financial needs first before increasing your TSP contributions to maximize the BRS matching component.

Step 1 — Know your current situation

Knowing where your money is going now can help you determine whether these expenses need to remain as is or adjustments are needed. **Track all of your cash inflows** (including your pay increase) **and outflows** for the next 30 days or look back at the previous 30 days. You can record it any way you want — by pen and paper, on a spreadsheet on the computer, or on your phone. The important thing here is to do it for the full 30 days.

Step 2 — Know where your money should go

Once you know where your money is going, you then need to understand where it should go. There are general rules/guidelines that experts suggest:

- Save and/or invest 10% – 15% of pretax pay. Count your TSP contribution as part of your saving and investing rate.
- Keep transportation expenses, including car payments, insurance, gas and maintenance, to 15% – 20% of pretax pay.
- Housing expenses, including mortgage or rent payment, taxes, utilities, maintenance, etc. should be limited to your Basic Allowance for Housing (BAH) or to 25% – 30% or less of pretax pay.

Step 3 — Create a plan

Build your plan for setting aside money and putting limits on how much you'll spend each month on expenses.

Prioritize your financial goals. Make the most of your current and future pay to help achieve your financial goals. In other words, pay yourself first! Consider using injections of income or pay increases to contribute more toward your TSP or other saving/investing goals. Set up your spending plan to contribute at least 5% to receive the full Coast Guard matching contribution, if possible.

Step 4 — Make adjustments

As your situation changes, your spending plan should change too. Make note of IRS contributions limits each year. You can contribute up to \$23,000 in 2024. If you are serving in a combat zone tax exclusion (CZTE) area, you can contribute up to \$69,000 in 2024.



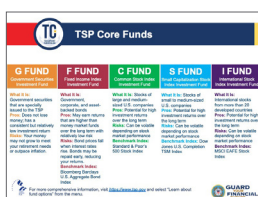
SLIDE 13

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 14

TSP Core 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 <https://www.tsp.gov>. Encourage students to attend a TSP class at the local Health, Safety and Work-Life (HSWL) Regional Practice 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.

First let's talk about the five core funds:

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. It is a broad international index that represents stocks of over 20 developed countries, excluding the United States.

TSP Lifecycle Funds

Each L Fund is a mix of individual funds based on when you'll need your money.

L FUND	Target Retirement Date	Investment Style
L 1960	1960	Conservative
L 1970	1970	Conservative
L 1980	1980	Conservative
L 1990	1990	Conservative
L 2000	2000	Conservative
L 2010	2010	Conservative
L 2020	2020	Conservative
L 2030	2030	Conservative
L 2040	2040	Conservative
L 2050	2050	Conservative
L 2060	2060	Conservative
L 2070	2070	Conservative
L 2080	2080	Conservative
L 2090	2090	Conservative
L 2100	2100	Conservative

With the exception of money, the investments of each L Fund become more conservative over time. To change your investment, log in to the Thrift Savings Plan website.

SLIDE 15

TSP 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.

By default, TSP contributions are invested in the Lifecycle (L) Fund closest to your expected retirement age. L Funds are a combination of the five core TSP funds and become more conservative over time. They are similar to target date funds found in civilian defined benefit retirement plans, like a 401(k) plan. Please visit this link to view the most recent TSP administrative and investment expenses:

<https://www.tsp.gov/tsp-basics/expenses-and-fees>.

Mutual Fund Window

- Greater investment flexibility**
- Eligibility requirements apply**
 - Investment must be at least \$1,000
 - Investment must be at least 25% of your cumulative TSP balance
- Additional fees**
 - Annual administrative (\$60) and maintenance (\$80) fees
 - Other fees and expenses may apply for each mutual fund
 - Added costs / fees can diminish your investment returns
- Consider the risks**
 - Investment in mutual funds will grow enough to offset inflation
 - Other risks: credit, currency, inflation, market and employment

SLIDE 16

Mutual Fund Window

The mutual fund window is a new part of the TSP. Let's cover the key features.

Greater investment flexibility

The mutual fund window offers a wide range of mutual fund options beyond the TSP's core and Lifecycle funds.

Eligibility requirements apply

Your first transfer to the mutual fund window must be at least \$10,000, which means you must have \$40,000 in your TSP account to participate. You may not invest more than 25% of your total TSP account balance in the mutual fund window at any time.

Additional fees

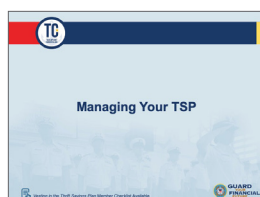
The mutual fund window requires an annual administrative fee of \$55 and an annual maintenance fee of \$95. Plus, a fee of \$28.75 is applied for each trade.

Additionally, you may have to pay other fees and expenses related to the mutual funds you choose to invest in. The total cost of investing in the mutual fund window can diminish your investment returns.

Consider the risks

Investments available within the mutual fund window may carry additional risks. These funds are not monitored by the TSP and investors should carefully research and review the mutual fund's prospectus before investing. Carefully consider whether your investments in mutual funds will grow enough to offset additional fees. Other risks may also apply including credit, currency, inflation, market, and prepayment risk.

For more details about the mutual fund window, visit <https://www.tsp.gov/mutual-fund-window> or meet with a PFM at your local HSWL Regional Practice.



SLIDE 17

Managing Your TSP



INSTRUCTOR NOTE: Play optional video, *Managing Your TSP*.

An important aspect of managing your TSP is taking the time to review the funds you're invested in. We've just covered several options including the five core funds, Lifecycle funds, and the mutual fund window. Are the funds you are contributing to working for your objectives, risk tolerance, and time horizon? If not, do you need to make a change? Consider reviewing on an annual or semi-annual basis.



SLIDE 18

Accessing Your TSP

There are two main websites you will use to access and manage your TSP: <https://www.tsp.gov> and Direct Access.

Step 1: Direct Access

To start, stop, or change contributions to your TSP, log into Direct Access at <https://hcm.direct-access.uscg.mil>. Review and update the percentage you are contributing, type of contribution (Traditional or Roth), and type of pay (basic, special, or incentive). Also, verify and update your address. The TSP uses your address listed in Direct Access to send you account information. Please note, you must go to the TSP section in Direct Access to change your TSP address.

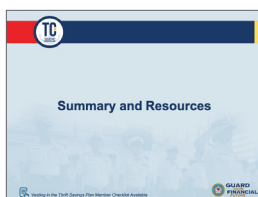
Step 2: TSP.gov and TSP app

To access and manage your TSP account, you'll need to visit <https://www.tsp.gov> and log into My Account. You can also download the official TSP app from your app store. On both platforms, you can view your portfolio, manage your investments, change your future allocations, and designate or update beneficiaries.

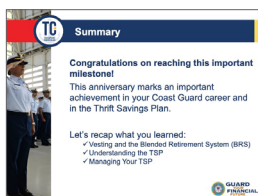
INSTRUCTOR NOTE: If you have misplaced or lost your account number or password, you may be able to retrieve your account information online. Visit <https://www.tsp.gov/access-your-account> for instructions. Be sure to verify and update your mailing address in Direct Access if necessary.

What is AVA in TSP?

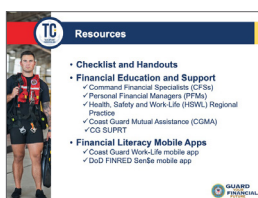
Access AVA, a virtual assistant, 24/7 to help you find answers and resources via the TSP Mobile App. Also, AVA can connect you with a ThriftLine Representative during business hours using a live-agent chat.



SLIDE 19



SLIDE 20



SLIDE 21

Summary and Resources

As we come to the end of our course, let's finish up with a high-level review of what we covered and talk about available resources.

Summary

Congratulations on reaching this milestone in your military career! Let's review the topics we discussed:

- Vesting and the Blended Retirement System (BRS)
- Understanding the TSP
- Managing Your TSP

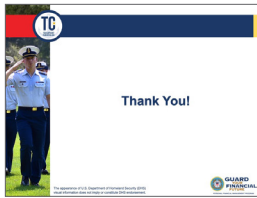
Do you have any questions?

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 Command Financial Specialist (CFS) at your unit or meet with a Personal Financial Manager (PFM) and attend a class at your local Health, Safety and Work-Life (HSWL) Regional Practice. CG SUPRT and Coast Guard Mutual Assistance (CGMA) are also additional resources for guidance. You may also access the Coast Guard Work-Life mobile app or the DoD FINRED Sen\$e mobile app for assistance with a variety of personal finance issues.



SLIDE 22

Thank You!

Thank you for attending today's training. We wish you the best in the next chapter of your Coast Guard career.