



# Vesting in the Thrift Savings Plan (TSP)

## Instructor Guide



SECURING THE  
**FINANCIAL  
FRONTLINE**

# I. COURSE ORGANIZATION AND OUTLINE

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

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

**TOTAL:** Approximately 30 Minutes

## II. LEARNING OBJECTIVES

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

1. **TLO:** Comprehend the components of the Soldier's military retirement system and the importance of preparing for retirement.  
**ELOs:** Understand the components of the Blended Retirement System. Understand the Thrift Savings Plan (TSP). Understand what vesting means.
2. **TLO:** Understand and be able to manage a Thrift Savings Plan (TSP) account.  
**ELOs:** Know how to manage and update a TSP account. Be able to update beneficiaries for the TSP and 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:

#### INSTRUCTOR NOTE:



#### Instructor Note

(indicates additional information related to the content for the instructor)

#### Checklist and Handout

(indicates a Checklist or Handout is associated with the content)

#### Learning Activity

(indicates a learning activity)

**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.

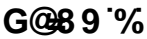
While this guide is written as a script, avoid reading it word-for-word. Familiarize yourself ahead of time so you feel comfortable covering the material in your own words.

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

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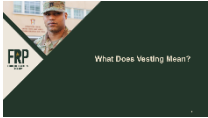
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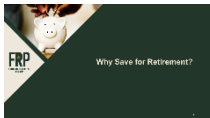
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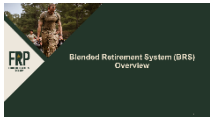
Mandi, she ends up with more — over \$350,000 more by age 65. Steve, by age 65, has significantly less than either.

This example clearly illustrates how saving early for retirement pays off. **Time builds wealth**, so don't delay in saving as much as you can into your TSP.

What does this mean to you? How could you apply this in your life?



**INSTRUCTOR NOTE:** Distribute the *Military Retirement* Handout.



## SLIDE 9

### Blended Retirement System (BRS) Overview

Now that we've talked about the TSP vesting and why it's important to save, let's do a high-level review of the BRS to see how this fits in. There are four main components of the BRS.

The TSP provides a Soldier with the ability to determine the amount of their pay (within the limits of the plan) they want to contribute toward their own retirement in addition to Matching Contributions. When you are in the BRS, the Army matches up to 4% of your basic pay contribution and automatically contributes 1% into your TSP. This means that if you contribute 5%, then the Army also contributes 5%. You have already doubled your investment. So, let's look further into how the BRS works for you.



## SLIDE 10

### The Four Components of BRS

Let's use the *Military Retirement* Handout to briefly discuss the four components of the BRS:

1. **Defined Benefit** — Under the Blended Retirement System (BRS), if you stay in the Army for 20 or more years, you are eligible to receive a defined benefit (pension), based on a percentage of your basic pay. Members of the National Guard or Reserve are also eligible for a defined benefit after reaching 20 qualifying years of service.
2. **Defined Contribution** — BRS incorporates a defined contribution retirement savings and investment plan, called the Thrift Savings Plan (TSP), that offers the same types of savings and tax benefits many private corporations offer their employees under 401(k) or similar plans. The TSP is the same defined contribution plan thousands of DoD and federal government civilians take advantage of for their retirement savings.

We will go into the specifics of TSP in a few minutes.

If you are a Soldier who joined the Army after January 1, 2018 and before September 30, 2020, you were automatically enrolled in the TSP at a default 3%

contribution amount. If you joined the Army after October 1, 2020, you were automatically enrolled in the TSP at 5%.

Note: If you were automatically enrolled in BRS and adjust your TSP contribution to 0%, you will be reenrolled January 1 of the following calendar year at 5%. It will be deducted the first full pay period of that year. This DOES NOT apply if you are contributing at a percentage other than zero.

3. **Continuation Pay** is a one-time, mid-career bonus payment in exchange for an agreement to perform additional obligated service. This one-time bonus payment is in addition to any other career field-specific incentives or retention bonuses. It is payable between eight years of service and not more than 12 years of service as calculated from your PEBD. It does require an additional duty service obligation (ADSO). You can visit [financialfrontline.org](https://financialfrontline.org) to learn more.
4. The **Lump-Sum Option** gives you choices at retirement to receive either a 25% or 50% discounted portion of your monthly retired pay as a lump sum in exchange for reduced monthly retired pay.



**INSTRUCTOR NOTE:** Review the timeline on the slide to show the progression of BRS over your career in the Army.



## SLIDE 11

### Understanding the Thrift Savings Plan (TSP)

We've covered the vesting rules, why it's important to save and how TSP fits into your overall retirement plan under BRS. Now, let's have a more detailed discussion on the TSP.

### What Is the Thrift Savings Plan?



## SLIDE 12



**INSTRUCTOR NOTE:** Distribute and discuss the *Thrift Savings Plan* Handout.

Most of you are familiar with the TSP in some regard, but do you know how it works? Do you understand how your TSP grows? 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.

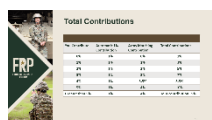
## Defined Contribution Plan

The TSP is a type of retirement savings plan whereby an employee (or participant) makes contributions. The TSP is open to all military members and federal employees and is similar to a civilian 401(k). This plan is the government's defined contribution plan and offers Soldiers the opportunity to save and invest for retirement.

## Automatic and Matching Contributions

In addition to the contributions YOU make into your TSP account, under BRS you receive Service Automatic (1%) Contributions and then up to 4% Matching Contributions. This is up to a total of 5%, which is free money! Both the Service Automatic (1%) and Matching Contributions continue until you reach 26 years of service. Let's take a closer look at the numbers.

## Total Contributions



A small thumbnail version of the 'Total Contributions' table, showing the same structure and data as the larger table on the slide.

**Your Contributions:** There are two contribution options within your TSP — Traditional and Roth. Traditional contributions are made with pretax pay and are taxable at withdrawal. Roth contributions are made with after-tax pay and are tax-free at withdrawal (certain restrictions apply).

**Matching Contributions:** Under the BRS, you may receive up to 4% in Matching Contributions, on top of the Service Automatic (1%) Contribution into your TSP, which are deposited into the Traditional TSP.

You Contribute:	Automatic 1% Contribution	Matching Contribution	Total Contribution:
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
Greater than 5%	1%	4%	Your contribution +5%

## Additional Contributions

It is important to understand that you can submit other special pays directly into your TSP to give your savings a boost. Pays like special pay (Flight Pay), incentive pays (Hazardous Duty Incentive Pay), and bonuses (Reenlistment Bonus and Continuation Pay) can be directly deposited into your TSP. Please note that you must contribute at least 1% of basic pay to make additional contributions from other special pays.



## SLIDE 14

### Changing TSP Elections

You can change your contribution election in myPay as shown on the slide. You can choose Traditional, Roth, or both, as well as your contribution amount as a percentage of base pay, special, bonus and/or incentive pay. You can view your TSP contributions, Service Automatic (1%) and Matching Contributions, and the year-to-date total on your Leave and Earnings Statement (LES). If you see an error, visit your finance office for assistance.

#### Professionally Managed

The Federal Retirement Thrift Investment Board administers the TSP with the funds being professionally managed by two asset managers: BlackRock and State Street Global Advisors, which are two of the largest asset managers in the world. For more information, visit <https://www.frtib.gov>.



## SLIDE 15

### TSP Funds

#### The TSP Funds

Now that you know how money gets into the account, let's look at the underlying investment options. The TSP provides Soldiers with several different types of funds from which to select to invest toward the future.

**INSTRUCTOR NOTE:** The following in-depth content is available to help answer specific audience questions. It is not necessary to read this content verbatim aloud.

Before class, look up the current fund rates of return on [tsp.gov](https://tsp.gov).

Using the *Thrift Savings Plan* Handout, review the Investment Option table with the group. Explain how the risk, volatility, and types of earnings are related.

Let's now review the five core investment fund options available to you in the TSP to determine which fund(s) work for your objectives, risk tolerance and time horizon. As you're about to learn, each investment in the TSP has a different level of risk. Generally, the riskier the investment, the greater the potential for gain or loss. Risk tolerance is a personal thing. You need to decide your comfort level and ability to accept losses. Everyone likes gains; those are easy. But you should choose investment risk based on your goals and time horizon.

**C Fund** — The Common Stock Index Investment (C) Fund tracks the Standard & Poor's 500 (S&P 500) Index. Investment in the C Fund offers the opportunity to experience

gains from equity ownership of large and mid-sized U.S. company stocks. This is a market index made up of the stocks of 500 large-sized U.S. companies. This fund is considered to have moderate risk.

**S Fund** — The Small Capitalization Stock Index (S) Fund is invested to track the Dow Jones U.S. Completion Total Stock Market (TSM) Index. While investment in the S Fund carries risk, it also offers the opportunity to experience gains from equity ownership of small-to-mid-sized U.S. companies. This is a market index of small- and medium-sized U.S. companies not included in the S&P 500 Index or “small-cap” funds. This fund is considered to have moderate to high risk.

**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 market index comprised of large companies from 20 countries, hence the “International” funds. The value of the I Fund will rise and fall relative to the value of the U.S. Dollar comparative to the value of the countries in the EAFE. Investment in the I Fund offers the opportunity to experience potential gains from equity ownership of non-U.S. companies. This fund is considered to have moderate to high risk.

**F Fund** — The Fixed Income Index Investment (F) Fund is invested to track the Bloomberg Barclays U.S. Aggregate Bond Index. F Fund investors are rewarded with the opportunity to earn higher rates of return over the long term than they would from investments in short-term securities such as the G Fund. The F Fund portfolio includes only investment-grade fixed income securities. This fund is considered to be low to moderate risk.

**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). This fund is considered low risk.

Visit <https://www.tsp.gov> for in-depth information on each of the funds.

## TSP Lifecycle Fund Options

If you're not comfortable making the decisions on how best to allocate among the core funds, the TSP offers several Lifecycle Funds, called “L Funds.”

By default, all of your TSP contributions are invested in an age-appropriate L Fund. The L Fund is a diversified mix of the five core funds designed to get the best expected return for the amount of expected risk based on your expected retirement date.

Each of the L Funds are based on time horizons, referring to when you plan to start withdrawing money. With L Funds, the work of rebalancing your investments based on

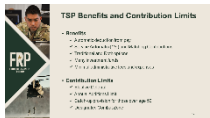


### SLIDE 16

your time horizon is done for you. For example, Soldiers born after 1999 and expecting to withdrawal their funds after 2062 were automatically enrolled into L2065.

Remember that you always have the ability to change the investment mix of your current balance and future contributions based on your own risk tolerance and personal goals.

## TSP Benefits and Contribution Limits



### SLIDE 17

#### There are many benefits to participating in the TSP

- Automatic deductions — These come right out of your paycheck before you even see them. Deductions will show on your LES.
- Service Automatic (1%) and Matching Contributions — Service Automatic (1%) and up to 4% Matching Contributions
- Traditional and Roth options — There are options to contribute pretax (Traditional) and/or after-tax (Roth) contributions (use the *Thrift Savings Plan* Handout to explain the differences). All Service Automatic (1%) and Matching Contributions will go into Traditional TSP.
- Many investment funds — There are various funds for different retirement needs.
- The TSP provides minimal administrative fees and investment expenses.

**INSTRUCTOR NOTE:** Review the *Thrift Savings Plan* Handout to go over the changes to TSP that were implemented in 2022.

To learn more about the TSP, visit [tsp.gov](https://tsp.gov).

#### Contribution Limits

Even though you can contribute up to 100% of your pay to the TSP, the IRS sets annual contribution limits. Refer to the *Contribution Limits* Handout and visit [irs.gov](https://irs.gov).

**INSTRUCTOR NOTE:** Review the *Contribution Limits* Handout to answer specific questions.

#### Elective Deferral

The elective deferral is the amount YOU can contribute to the TSP. For each year, you have an elective deferral limit that applies to the total of your Traditional and Roth contributions and other qualified retirement plans, like a 401(k) if you participated in one. Refer to the *Contribution Limits* Handout or visit [IRS.gov](https://irs.gov) for more information.

## Annual Additions Limit

The annual additions limit restricts the total amount that can be contributed to a qualified retirement plan, to include your contributions and contributions from your employer (this includes BRS). Under certain situations, this limit may be higher. Refer to the *Contribution Limits* Handout or see [IRS.gov](https://www.irs.gov) for more information.



**INSTRUCTOR NOTE:** Point out that this may affect members of the Guard and Reserves who have 401(k) plans. If they have a civilian 401(k) and the TSP, they need to ensure they do not exceed the annual contribution limits across all accounts.

## Catch-up Provision

The catch-up contribution limit allows for participants age 50 and older to contribute more into their account. Refer to the *Contribution Limits* Handout for current limits.

## Service in a Designated Combat Zone

If you serve in an eligible combat zone, you may be able to exceed the elective deferral limit. The Combat Zone Tax Exclusion is a provision that exempts all or a portion of earnings from federal income taxes while deployed in a designated combat zone. This can mean more money to contribute to your TSP. Visit

[https://www.financialfrontline.org/wp-content/uploads/2019/11/Army-CTZE\\_FINAL.pdf](https://www.financialfrontline.org/wp-content/uploads/2019/11/Army-CTZE_FINAL.pdf)

for more information. To make elections for current and future allocations, log into your account on [tsp.gov](https://tsp.gov). Also, visit a Personal Financial Manager (PFM) or Personal Financial Counselor (PFC) and a tax professional for more information.



## Evaluate Your Retirement Goals

**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?

**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](https://tsp.gov). For more information, speak to a Personal Financial Manager (PFM) or Personal Financial Counselor (PFC) at your installation.

**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 Army match.

Remember, matching contributions are FREE money.

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## SLIDE 19

### Tax Treatment Options

**Traditional vs. Roth.** So, how do you decide between contributing to the Traditional or Roth option in your TSP account? Understand that you can choose Traditional, Roth, or even a combination of the two.

If you want to lower current income taxes and defer them until retirement, select Traditional contributions. For this, contributions are taken out of your pay **BEFORE** taxes are paid.

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. For this option, contributions are taken out **AFTER** taxes are paid.

If you have questions regarding special tax situations regarding your pay while you are on active duty, refer to *IRS Publication 3, Armed Forces' Tax Guide*.



## SLIDE 20

### How to Access and Manage TSP

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

There are two main websites you will use to access and manage your TSP:

<https://mypay.dfas.mil> and <https://tsp.gov>.



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**myPay** — To start, stop, or change contributions to your TSP, log into myPay. Here, you can update your address and manage your contributions. Using myPay, you can change the type of pay (basic, special, bonus and/or incentive), the contribution election amount and choose the tax treatment you want to use. It is important to note that to invest any special pays, you must first contribute at least 1% of your base pay.

The quickest and easiest way to update your TSP mailing address is to go to the TSP section of <https://mypay.dfas.mil>. It is important to know that the "Correspondence Address" section of <https://tsp.gov> will NOT update your information with the TSP. You **MUST** go to the TSP section of <https://mypay.dfas.mil> to change your TSP address. On the TSP website, you can add an alternate mailing address to your profile.

**TSP.gov** — To access and manage your TSP account, you'll need to visit <https://tsp.gov> and log in with your account number\*. Here you can view your portfolio, manage your investments, and change your future allocations. The mobile app puts account management at your fingertips.



## SLIDE 22

**Investment Election:** If you would like new money coming into your account to be invested differently, you can make a contribution allocation. This tells the TSP where you want your future money invested.

**Reallocation:** If you would like existing money in your TSP account to be moved among different TSP funds, you will need to do an interfund transfer.

**Fund Transfer:** If you would like move money from one or more specific funds to another specific fund or funds without affecting the rest of your account.

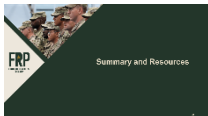
You can learn more on how to do each of those transactions at [tsp.gov](https://tsp.gov).

Remember, your success with the BRS depends on your active participation in the TSP!

Do you have a 401(k) (or other employer-sponsored plan) from your previous job? Do you have Traditional IRAs? If so, you may be able to transfer these accounts directly into the TSP to make it easier for you to manage. Visit [tsp.gov](https://www.tsp.gov) for more information.

**Beneficiaries:** It is also important to note that if you have to make changes to who your designated beneficiary is, you will need to submit Form TSP-3.

**INSTRUCTOR NOTE:** \* If you have misplaced or lost your account number, visit <https://www.tsp.gov/account-basics/troubleshoot-account-access/> for assistance. Your account number will be mailed to you, and you will have to complete a one-time process to set up a new login for My Account. Be sure to verify and update your address in myPay first.



## SLIDE 23

## Summary and Resources

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



## SLIDE 24

## Summary

We discussed the following topics:

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

## Resources and Conclusion



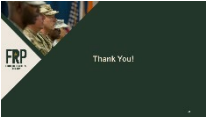
## SLIDE 25

Please read through your Checklist and Handouts and refer 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.

Remember your financial resources for securing the financial frontline!

- Click — Access <https://www.financialfrontline.org>
- Call — Military OneSource at 800-342-9647
- Walk — Come by the local Family Support Center



## Thank You!

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

**SLIDE 26**