Why invest in the Thrift Savings Plan?

A new year is approaching, and it's a good time to think about your finances. You may be a new employee or a seasoned carrier looking forward to retirement. Either way, consider how the Thrift Savings Plan (TSP) can play a valuable role in your retirement strategy.

The TSP is an essential component of the Federal Employees Retirement System (FERS), the retirement program that covers most USPS employees. Like many of the 401(k) savings plans offered by private-sector employers, the TSP allows federal employees to save pre-tax dollars each month in an investment account; this gives letter carriers who participate the chance to save for retirement quickly and easily. TSP participants choose how the money in their account is invested.

The Postal Service automatically enrolls new career carriers in TSP. City carrier assistants (CCAs) converted to career, or career letter carriers hired on or after July 31, 2010, have been automatically enrolled. Five percent of the base pay of new enrollees is automatically deducted and deposited in a TSP account each pay period, though participants may choose to eliminate, increase or decrease their level of contributions.

The Postal Service deposits matching contributions up to 4 percent of basic pay, as well as automatic agency contributions equal to 1 percent of basic pay. Career letter carriers hired before July 31, 2010, and covered by FERS were automatically enrolled in a TSP account with 1 percent contributions from the Postal Service, but with no automatic employee deductions—the deductions must be set up by the employee. USPS will match a portion of the first 5 percent of FERS employee contributions. The first 3 percent is matched dollar for dollar; the next 2 percent, 50 cents per dollar. This is in addition to its automatic 1 percent contribution, for a total USPS contribution of 5 percent of the letter carrier's base pay when the carrier elects to contribute 5 percent or more.

For CCAs who have not yet converted to career letter carriers, NALC's Mutual Benefit Association offers a CCA Retirement Savings Plan, where traditional IRA funds can be rolled into the TSP once the CCA becomes a career letter carrier.

Unlike with some other employee benefits, there is no open season for enrollment in TSP. Carriers can use LiteBlue to enroll in the TSP or make changes to their deductions or investments at any time of the year. The benefits of easy, tax-deferred savings through TSP are amplified by the Postal Service's matching contributions to your account.

Participating employees can also make unmatched contributions (above the 5 percent level), but the IRS annual limit for total contributions to the TSP and other such retirement savings plans is $19,500 in 2021. Participants may be eligible to make additional "catch-up" contributions to boost their savings, beginning the year they turn 50. These catch-up contributions are not matched by USPS and are limited to $6,500 in 2021.

Carriers covered by the Civil Service Retirement System may also join TSP, but they do not receive matching contributions from USPS. Nevertheless, like their FERS counterparts, they can keep more of what they save because of the tax savings and the TSP's minimal administrative costs. Indeed, such costs are much lower than those of similar plans. In 2020, the TSP charged participants a net administrative expense of no more than 49 cents per $1,000 invested for each investment fund.

TSP accounts do not expire when letter carriers separate from federal service. A letter carrier still can change their investment mix while their account continues to accumulate earnings; they can even transfer IRAs or eligible employer plans such as 401(k)s into a TSP account.

Since enactment of the TSP Modernization Act in September 2019, letter carriers now have more flexible withdrawal options when they leave federal service, such as multiple single withdrawals and the ability to change the frequency and the amount of installment payments at any time during the year. Explore these options and more in the booklet *Withdrawing from Your TSP Account for Separated and Beneficiary Participants*, available at tsp.gov.

Visit tsp.gov or call TSP-YOU-FRST (877-968-3778) to check out planning tools and calculators designed to assist with retirement decisions. **PR**