



Coast Guard HR Flag Voice 160

THRIFT SAVINGS PLAN FOR MILITARY MEMBERS

This is a follow on with specifics to Flag Voice 159. An ALCOAST will be released shortly too.

Soon every Coast Guard active duty and reserve member, in any pay status, will receive a personal letter in the mail notifying them of their eligibility to participate in the Thrift Savings Plan. The National Defense Authorization Act for fiscal year 2001, Public Law 106-398, authorized this benefit for the uniformed services. Please take time to read the booklet and learn more about the plan.

In general, the Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees and members of the uniformed services. It offers the same type of savings and tax-benefits available under private corporate 401(k) plans. TSP has been in operation for federal civilian employees since 1987. TSP is not a replacement of, or a substitute for current military retirement programs. It is an opportunity to boost your retirement funds.

TSP is administered by an independent government agency, the Federal Retirement Thrift Investment Board. Contributions made to the TSP are tax deferred and not treated as income in the year earned (and contributed). The account grows tax deferred until withdrawn.

The first opportunity for members to participate in TSP will be between 9 October 2001 and 31 January 2002. Any individual who is a member as of 9 October 2001 may elect to participate in TSP during the open enrollment period. Initial elections shall take effect during the first pay period in January 2002. Members not joining the program during the initial open enrollment period or within 60 days of joining the Coast Guard may participate later during any of the two yearly "open seasons," currently scheduled from 15 May through 31 July and 15 November through 31 January.

Beginning with the first deduction in January 2002, members may elect to contribute between 1% and 7% of their basic pay each pay period. Contribution maximums are also scheduled to go up each year thereafter.

Members contributing to the TSP from basic pay may also make contributions from 1% to 100% of any special pay, incentive pay, or bonuses up to the IRS elective deferral limit. As a new participant, the TSP will invest your contributions in the (G) fund until you submit a contribution allocation to the TSP record keeper, the National Finance Center (NFC).

Members have five investment options to choose from:

Government securities investment (G) fund

Fixed income index investment (F) fund

Common stock index investment (C) fund

U.S. small-capitalization stock index investment (S) fund

International stock index investment (I) fund

Members make investment options directly with the National Finance Center (NFC). Members may stop their deductions at any time. Members who terminate basic pay elective deferrals must terminate all other elective deferrals. If the termination is made outside of an open season, the member must wait until the second open season following the termination to reenroll in the TSP. If the termination is made during an open season, the member may reenroll in the TSP during the next open season.

Members leaving the service may keep their TSP accounts, receive a single payment, monthly payments or purchase a TSP annuity. Withdrawals are taxable. Restrictions and/or penalties apply to early withdrawals. TSP payments may be rolled over to an IRA or other eligible retirement plans to defer taxes and avoid the 10% early withdrawal penalty.

The TSP package being mailed to each member will contain the election form, TSP-U-1. The form can also be downloaded from the www.TSP.gov website. Once enrolled all TSP correspondence will be mailed to the member's home address.

If you are interested in the program, visit the TSP web site at www.TSP.gov for up-to-date TSP information, answers to many TSP questions, rates of return in the funds, forms and publications, and a calculator to project your future account balance. Depending on your individual circumstances, you might want to obtain independent financial advice or seek the advice of a tax consultant.

Flag Voices 150, 151, 153 and 155, a four-part series titled PLANNING FOR YOUR FUTURE -- THE TIME IS NOW, goes into further detail about your financial future.

CORRECTION: Flag Voice 159 was in error when describing the Roth IRA. Contributions to the Traditional IRA are tax free (below a specific income level) but contributions to the Roth IRA are not tax free. After age 59 1/2, distributions from a Traditional IRA are taxed as regular income, while distributions from a Roth IRA are tax free.

Regards, FL Ames

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<http://www.uscg.mil/hq/g-w/g-wk/g-wkw/worklife/index.htm>

After you go to the Home page, simply click on the Yellow button entitled "**Dealing with Crisis.**" Included are some Flag Voices, links to articles (including some Spanish versions), and links to some web sites. We have provided information that deals with individuals, families, children, terrorism, war, fear, grief, loss, and prejudice.