



Action Plan:

FUND YOUR THRIFT SAVINGS PLAN

Servicemembers have access to one of the lowest-cost ways to save for retirement. The [Thrift Savings Plan \(TSP\)](#), which is like a 401(k) for members of the military and federal employees, makes it easy to invest automatically from your pay. It also gives you a choice of five index funds and target-date funds, and only charges about .025 percent for fees. The money invested lowers your taxable income now and grows tax-deferred until you withdraw it in retirement.

Here's how to get started with your TSP and make the most of this savings opportunity.

- 1** **Decide how much to invest.** You can invest up to \$18,500 in the TSP in 2018, plus an extra \$6,000 in catch-up contributions if you're 50 or older. Since contributions are pre-tax, investing the full \$18,500 only reduces your take-home pay by \$13,875 if you're in the 25 percent tax bracket.

Investing a little bit with each paycheck makes saving more manageable: Contributing \$350 twice a month only lowers each paycheck by \$262.50, but adds up to \$8,400 in contributions by the end of the year. Use our [Savings Calculator](#) to see how much your contributions can grow through time.

- 2** **Consider the TSP Roth option.** This option allows you to contribute to the TSP from taxable income, which reduces your take home pay, but does not reduce the gross income reported to the IRS. Withdrawals, however, are tax-free provided the TSP account is open at least five years and you are either at least 59½ or permanently disabled.

Whether this option makes sense for you will depend on your current tax situation and whether your tax rate is likely to be higher or lower in retirement. Learn more about the [TSP Roth Option](#) on [SaveAndInvest.org](#) to decide. Keep in mind that the aggregate pre- and after-tax contributions cannot exceed the annual limit set by the IRS.

DIFFICULTY:

EASY

WHAT YOU'LL NEED:

- Calculator
- Spending Plan Worksheet
- Web access or telephone

- 3 Boost your contributions while deployed.** If you're receiving tax-free income in a combat zone, you can contribute up to \$55,000 to a TSP account during 2018. It could also be the perfect time to boost your contributions while deployed, when your paycheck is larger because of the tax breaks and combat pay. Tax-free income you contribute while deployed is never taxed when you withdraw the money from the TSP.
- 4 Pick your investments.** The TSP has six investing options. You can invest in five index funds, which focus on large companies, small companies, international firms, bonds or government securities. Or you can simplify your investments by choosing a lifecycle fund (called an "L Fund"). The L Fund creates a diversified portfolio of the other funds and automatically shifts the investments from more aggressive to more conservative based on your time horizon. The L2050 fund, for example, is designed for people who plan to retire in more than 30 years and starts by investing primarily in stock funds, then gradually becomes more conservative and shifts more money to the bond and government securities funds through time.

For more information about all of the funds, see the [Investment Funds](#) section on TSP.gov.

- 5 Sign up and get started.** Most servicemembers sign up for the TSP through the [myPay system](#). You can also get more information and a paper enrollment form at the [Establishing Your TSP Account](#) section of TSP.gov. You'll need to specify the percentage of your basic pay, incentive pay, special pay or bonus pay to contribute. And then, after you have an account set up, you need to select your investments.

For more information about saving for retirement, read [Save for the Future](#) and use the [Retirement Calculator](#) to figure out how much to save to reach your goals.

Visit [SaveAndInvest.org](#) for more tools and tips about Managing Your Money With Confidence.