

Questions and Answers About Changes to TSP Withdrawal Options

This fact sheet answers frequently asked questions about changes to TSP withdrawal options associated with the passage of the TSP Modernization Act (PL 115-84). We'll revise and add to it as we establish policies and procedures and as we receive more questions.

How did the TSP Modernization Act come to be?

Recognizing a need, the FRTIB developed a package of legislative changes that would provide withdrawal flexibility for TSP participants and shared the package with members of Congress. We are very appreciative of Senators Portman and Carper and Congressmen Cummings and Meadows for introducing legislation based on our suggestions last spring. And we're pleased that Congress passed and the President signed this bill.

If the law has been passed, why are the new options not yet available, and why could it take up to two years for them to become available?

It might seem like a simple thing to start allowing something that's currently not allowed, but there's a lot to be done to make these changes happen.

There are substantial programming changes and form revisions to be made just to make it possible for participants to take advantage of the new options. And there are many publications and web pages that will need to be changed to reflect our new policy and new procedures. By the way, in addition to the changes made by the new law, we're also adding the ability to specify how much of your withdrawal should be Roth and how much should be traditional; withdrawals currently come out pro rata from both sources.

Also, as a government agency, we have to publish any policy decisions that are necessary to implement new legislation in publicly accessible regulations. So we have to publish new regulations in order to allow the new

options. We also have to have a public comment period and take the time to consider comments before we make final regulatory changes.

We asked Congress for these new withdrawal options, so rest assured that we're motivated to enact them as soon as possible. We intend to have the changes in place before the two-year deadline but don't yet have a specific date to announce.

Why didn't you start working on this before the new law was passed?

We did. But it would have been inefficient to spend the substantial resources necessary for this project before knowing whether the bill would become law or what exactly would be included in it. We were as prepared as we could prudently be for the passage of the law and are working to make this transition as quickly as possible while ensuring that the processes work correctly and in the best interest of our participants.

What happens if my deadline for withdrawing my account arrives or I want to use one of the new withdrawal options before the FRTIB has implemented the changes?

Nothing changes until new regulations are put in place, so you are limited to the current withdrawal options. You can elect monthly payments—as low as \$25 per month—and leave your balance in the TSP until the new options are available. We will announce it widely—including in this space, social media, tsp.gov, email, etc.—when the new options become available.



Fact Sheet

TSPFS10 (12/2017)
Previous Editions Obsolete

Can I withdraw money from my TSP account now, before the changes are made?

You continue to have the same withdrawal options that you had before the law was passed. See whichever of these TSP booklets applies to your situation for more information: *Withdrawing Your TSP Account After Leaving Federal Service* or *In-Service Withdrawals*.

If I've already begun receiving monthly payments from my TSP account, or elect to begin receiving payments before the new rules are implemented, will the additional withdrawal options be available to me? How about if I've already taken a partial withdrawal (either in-service or post-separation) before the changes take place? Will that prevent me from being able to take additional ones later?

If you have an account balance when the new rules go into effect, even if you've begun receiving monthly payments or have taken a partial withdrawal before then, you will be able to take advantage of the new withdrawal options. Note that, as is currently the case, if you are receiving monthly payments and elect to make a change that affects the duration of your payments, there may be tax consequences. For more information, see the TSP tax notice *Important Tax Information About Payments From Your TSP Account*.