

VESTING IN THE THRIFT SAVINGS PLAN

COAST GUARD FINANCIAL READINESS

Congratulations on completing two years of service in the Coast Guard! This anniversary marks an important milestone in your military career and the Thrift Savings Plan (TSP). Under the Blended Retirement System (BRS), eligible Coast Guard Members who complete two years of service become vested in the TSP.

HANDOUTS

- Basic Investing
- Military Retirement
- Thrift Savings Plan
- Spending Plan Worksheet

Counselor: Use this checklist and accompanying handouts as solution-focused tools to help Coast Guard members in a classroom setting or counseling session to set goals, establish priorities, and develop a plan of action. Space is provided to add local resources and reminders about additional topics. If you need additional information and referrals, contact your local Health, Safety and Work-Life (HSWL) Regional Practice staff.

★ Vesting and the Blended Retirement System (BRS)

Counselor: Help members comprehend components of the Blended Retirement System and the importance of preparing for retirement.

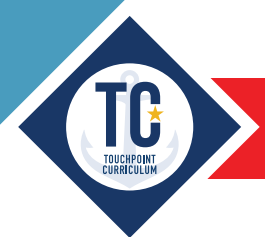
☐ Understand what vesting means.

- Vesting in the Thrift Savings Plan (TSP) means you have met the service requirement that entitles you to keep automatic and matching contributions. When you separate or retire from the Coast Guard you can keep the money the military has added or “matched” to your TSP account. It’s important to note, you are always vested in your own contributions and earnings.
- There are two different scenarios when vesting begins based on when you joined the military:
 1. If you were serving as of December 31, 2017, and opted into the BRS, then you became eligible for an automatic contribution of 1% and matching contributions up to 4% of basic pay in your TSP. You are already vested in Coast Guard matching contributions but are required to complete two years of service to vest in the automatic 1% contributions.
 2. If you joined the Coast Guard on or after January 1, 2018, then you are automatically enrolled in BRS. You will begin receiving an automatic 1% government contribution 60 days after entering service and will be eligible for matching contributions up to 4% of basic pay after completing two years of service. You will be vested after serving two years in both the 1% automatic and the Coast Guard matching contributions.

Counselor: Inform members that under the BRS, they are always vested in their own contributions and the earnings. Upon separation or retirement from service, the TSP account is portable. They can either leave it with the TSP or move it to another qualifying government (civilian TSP) or private-sector retirement account, such as a 401(k). Also, civilian service does not count toward vesting in the uniformed service TSP account.

☐ Understand the importance of preparing for retirement. Review the *Basic Investing* Handout.

Counselor: Remind members that although retirement may seem to be a long way off, choices they make now, such as contributing to their TSP accounts, can give them a significant advantage when they do retire.



VESTING IN THE THRIFT SAVINGS PLAN

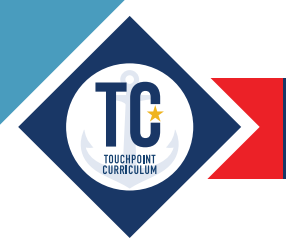
- ☐ Understand the components of the BRS. Review the *Military Retirement* Handout.
 - The BRS is a modernized retirement plan that went into effect for all new Service members on January 1, 2018.
 - Components of the BRS include a defined contribution (consisting of Coast Guard automatic and matching contributions to a Service member's TSP), a defined benefit (also known as a pension) after at least 20 years of service, a midcareer incentive called Continuation Pay, and a lump-sum option at retirement.

Additional notes: _____

★ Defined Contribution Thrift Savings Plan (TSP)

You Contribute (Roth and/or Traditional)	Coast Guard Automatic (1%) Contribution (Traditional)	Coast Guard Matching Contribution (Traditional)	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%
More Than 5%	1%	4%	Your Contribution + 5%

Additional notes: _____



VESTING IN THE THRIFT SAVINGS PLAN

★ Understanding the TSP

- ☐ Understand the TSP. Review the *Thrift Savings Plan* Handout.
 - The TSP is a retirement saving plan open to federal employees and members of the uniformed services. Similar to a civilian 401(k), the TSP offers the opportunity for Coast Guard Members to save and invest for retirement.
 - Under the BRS, you may receive up to 4% in Coast Guard matching contributions, on top of the automatic 1% contribution into your defined contribution plan or TSP account. Note: the automatic and matching contributions are deposited into the traditional TSP.
 - Automatic and matching contributions continue through the end of the pay period until you reach 26 years of service.
- ☐ Evaluate your retirement goals and visit **tsp.gov** to learn about annual contribution limits and investment choices. The elective deferral limit is \$19,500 in 2021 for those under the age of 50. Limits may be higher in certain situations.

Counselor: *Inform the members the elective deferral limit of \$19,500 (2021) applies to the combined total of Traditional and Roth contributions. The annual addition limit is \$58,000 (2021). This limit is per employer and includes employee contributions (tax deferred, after tax, and tax exempt), agency/service automatic 1% contributions, and matching contributions. The catch-up contribution limit is \$6,500 (2021) for participants age 50 and older. Encourage members to contribute at least 5% to take advantage of the full government match.*

- ☐ Use the *Spending Plan Worksheet Handout* to analyze your spending plan. When creating your spending plan, consider budgeting at least 5% of basic pay to contribute to your TSP. By contributing 5% out of your pocket, you take full advantage of Coast Guard matching contributions to boost your retirement savings to 10% of your basic pay.

Counselor: *Remind the members to pay themselves first when developing their spending plan. When appropriate, explain the benefits of contributing more to their TSP accounts, such as compound earnings and possible tax benefits.*

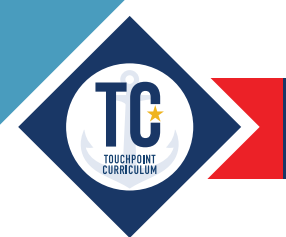
- ☐ Decide between Traditional or Roth contributions in your TSP account.

Counselor: *Inform the members they can select pretax (Traditional) contributions if they want to lower current taxes and defer them until retirement. Alternatively, they can elect after-tax (Roth) contributions if they prefer to pay taxes on their voluntary contributions now and avoid taxes on the qualified withdrawals in the future. They can change what type of investments to elect for their future contributions by logging into their Direct Access account and making changes. For more information, they can talk to a Personal Financial Manager (PFM) at their local HSWL Regional Practice.*

- ☐ Review the investment fund options listed on the *Thrift Savings Plan* Handout to determine which fund(s) work for your objectives, risk tolerance and time horizon.

Counselor: *Inform members the TSP has several funds in which they can choose to invest. By default, TSP contributions are invested in a Lifecycle (L) fund, which lines up with the Service member's age. See **tsp.gov** for more information.*

Additional notes: _____



VESTING IN THE THRIFT SAVINGS PLAN

★ Managing Your TSP

- ☐ Visit Direct Access to start, stop or change the contribution amounts to your TSP. Verify and update your address in Direct Access as well, if applicable.

***Counselor:** TSP uses the address in Direct Access to send account information, so it is important this address is current and updated periodically.*

- ☐ Log onto your TSP account at **tsp.gov** to manage your current and future investment choices.
Note: You will need your account number to create a username that you will use to log on to the website. If you have misplaced or lost your account number, visit **tsp.gov/access-your-account/troubleshoot-account-access** to request the account number be mailed to you. Verify your address in Direct Access first and pay attention to the effective date.

- ☐ Review and update beneficiaries for your TSP account, if applicable.

***Counselor:** Refer members to the **tsp.gov** website to complete Form TSP-3 Designation of Beneficiary to update beneficiaries.*

- ☐ Update contact information for your TSP account, if applicable.

Additional notes: _____
