

Government Thrift Savings Plan – Positives and Negatives

It appears the thrift board has sent a letter to participants cautioning rollovers to IRA accounts. We thought an analysis of a rollover would be advantageous.

Positives for Thrift Savings:

- 1. Fees are modest because funds are invested in low cost index funds except G fund which carries the same management as other TSP accounts even though little management is needed for the account that cannot lose value.
- 2. Limited investment choices-for those who want to keep it simple.
- 3. Staying with what you know, comfort.

Potential Negatives:

- 1. Only one partial withdrawal in a lifetime, once retired.
- 2. By law IRA's and TSP holders must <u>start</u> withdrawing at age 70 ½. Since TSP only allows one partial withdrawal in a lifetime, the only way to satisfy this requirement is to start monthly income and potentially lose access to your lump sum.
- Can take monthly income from TSP by annuitizing or using designated payments. If designated payments, can only change payment once a year and once started cannot stop (must at least be \$25) unless you take a full withdrawal and cash out.
- 4. Secondary beneficiaries <u>must</u> withdraw the funds at death.
- 5. G fund is averaging 1 to 2% and cannot lose value. Guaranteed annuity accounts are 3 to 5%.
- 6. Funds are index accounts meaning no management. Therefore, when markets falter, no action is being taken.
- 7. Limited choices for example: no real estate, no commodities, no midsize company, no utilities, and no international bonds, to name a few.
- 8. Can invest in the same C, S, I, F accounts outside government plan for low cost as well, but many more choices.
- 9. Limited withdrawal options limit flexibility and access to your funds in retirement.

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Finally, if the only thing that matters is cost, then one would buy all clothes at Wal-Mart and stay at Motel 6. So, IRA's for a similar return gain choice, flexibility, diversification, service.

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