Federal Employees

Thrift Savings Plan (TSP) — Planning Guide

Contribution strategies, fund options, withdrawals, and key 2026 updates

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Educational Use Only. This is a general overview of the Thrift Savings Plan (TSP). It is not personalized advice. Review your information at tsp.gov and consult a financial advisor for guidance specific to your situation.

Although the information contained herein has been obtained from sources that we believe to be reliable, we cannot guarantee its accuracy or completeness. This information is not a complete description of your plan features. Plan information is subject to change. For a full description visit tsp.gov or call the TSP ThriftLine at 1-877-968-3778.

WHAT IS THE TSP?

Overview	The Thrift Savings Plan (TSP) is the federal government tax-advantaged retirement savings plan for civilian employees and uniformed service members.[10] It functions similarly to a private-sector 401(k) and is administered by the Federal Retirement Thrift Investment Board.[10]
The FERS Three-Legged Stool	For FERS employees, retirement income comes from three sources: your **FERS Pension** (guaranteed income) + your **TSP** (savings and agency match) + **Social Security.** All three must be coordinated for a complete retirement plan.[10]

AGENCY CONTRIBUTIONS — FREE MONEY FROM YOUR EMPLOYER

Automatic 1%	Your agency deposits **1% of your basic pay automatically** into your TSP — even if you contribute nothing. This is not tied to your own contributions.[4]
Agency Matching	Dollar-for-dollar on your **first 3%** of basic pay contributed, then **50 cents per dollar on the next 2%.** Contribute at least **5% of pay** to receive the full government match.[4]
Total Potential	Contribute 5% and receive 5% from your agency = **10% of your pay** going into the TSP each period. On a $90,000 salary that is $9,000 per year in combined contributions.[4]
Critical Warning	**Do not reach the $24,500 limit before year-end** if pay periods remain. Agency matching is calculated per pay period — if your contributions drop to $0, your agency contributes $0. Spread contributions across all 26 pay periods.[4][12]
Match Vesting	The automatic 1% and matching contributions vest after 3 **years of federal service** for FERS employees. Your own contributions are immediately vested.[4]

2026 CONTRIBUTION LIMITS

Regular Limit	**$24,500** — the maximum you can contribute from your paycheck (Traditional + Roth combined). Up $1,000 from 2025.[2][3]
Catch-Up — Age 50-59 and 64+	**+$8,000** additional catch-up contributions. Total: **$32,500.**[2][3]
Super Catch-Up — Age 60-63	**+$11,250** — SECURE 2.0 enhanced limit. Total: **$35,750.**[2][3]
Total 415 Limit	**$72,000** — includes your contributions, automatic 1%, and agency matching combined.[3]
Per Pay Period (26 periods)	$24,500 / 26 = **$942 per period** (regular). $32,500 / 26 = **$1,250** (age 50+). $35,750 / 26 = **$1,375** (age 60-63).[2]
Roth Catch-Up Mandate (Effective January 1, 2026)	If your Medicare wages (Box 5 of your W-2) from TSP-eligible positions exceeded **$150,000 in 2025,** catch-up contributions must be Roth starting 2026.[1][7] Regular contributions up to $24,500 can still be Traditional or Roth.

TRADITIONAL VS. ROTH TSP

Traditional TSP	Contributions reduce your **taxable income today.** Withdrawals in retirement are taxed as ordinary income. Best when you expect to be in a **lower tax bracket** in retirement.
Roth TSP	After-tax contributions — no current tax reduction. Qualified withdrawals in retirement are **completely tax-free,** including all growth.[7] Best for younger employees or those expecting higher future taxes.
In-Plan Roth Conversion (New for 2026)	Starting January 2026, the TSP offers **in-plan Roth conversions** for the first time.[11] You can transfer Traditional TSP balances to Roth inside the plan. The converted amount is taxable in the year of conversion — a powerful opportunity in early retirement before RMDs begin.
Which Is Right for You?	Most advisors recommend **a mix of both** to create tax flexibility in retirement. With a FERS pension and Social Security stacking together, Roth TSP can help manage overall tax exposure.[7]

TSP INVESTMENT OPTIONS

The TSP expense ratio of approximately **0.06%** is among the lowest of any retirement plan in the country.[5] Fund choice matters — but TSP fees are never the problem.

G Fund	**Government Securities Investment Fund.**[5][6] Short-term U.S. Treasury securities. Principal is guaranteed — you cannot lose money. Returns are modest and may not keep pace with inflation over long careers.
F Fund	**Fixed Income Index Investment Fund.**[5][6] Tracks the Bloomberg U.S. Aggregate Bond Index. Moderate risk; provides income and diversification.
C Fund	**Common Stock Index Investment Fund.**[5][6] Tracks the S&P 500. Highest long-term growth potential of the core funds with more short-term volatility. Historically the best-performing TSP fund over long periods.
S Fund	**Small Capitalization Stock Index Investment Fund.**[5][6] Small and mid-sized U.S. companies not in the S&P 500. Higher growth potential with greater volatility than the C Fund.

I Fund	**International Stock Index Investment Fund.**[5][6] Developed international markets. Global diversification with currency and geopolitical risk.
L Funds (Lifecycle)	Professionally designed, all-in-one portfolios that **automatically become more conservative** as your target retirement date approaches.[5] New enrollees default to an age-appropriate L Fund. A reasonable hands-off starting point.

Important: After the first two fund reallocations in a calendar month, you may only move money **into** the G Fund for the remainder of that month.[6] Plan rebalancing accordingly.

ACCESSING YOUR TSP — WITHDRAWALS AND DISTRIBUTIONS

In-Service Withdrawal (Age 59-1/2+)	Once you reach age 59-1/2, you may take an **age-based in-service withdrawal** of all or part of your vested TSP balance — even while still employed.[9] Minimum $1,000. No penalty. The Traditional portion is taxable. One-time option while employed.
Financial Hardship Withdrawal	Available while employed for immediate and heavy financial need.[9] Contributions are suspended for 6 months following a hardship withdrawal. Subject to income taxes and the 10% early withdrawal penalty if under age 59-1/2.
Rule of 55	If you **separate from federal service in the calendar year you turn 55 or later** (age 50 for law enforcement, firefighters, and air traffic controllers), you can access your TSP penalty-free immediately.[8] This exception does not apply if you roll your TSP to an IRA before age 59-1/2.
Post-Separation Options	After leaving service you may: take a **partial or full distribution,** set up **installment payments,** purchase a **TSP annuity,** or **leave your balance in the TSP** and continue benefiting from its ultra-low fees.[10]
Required Minimum Distributions (RMDs)	Starting at **age 73,** you must take RMDs from your Traditional TSP balance.[10] Roth TSP balances are not subject to RMDs while held in the TSP. Failure results in a 25% penalty on the amount not withdrawn.
Rollover Considerations	Rolling your TSP to an IRA is just one option. You generally have four choices: **(1)** roll to an IRA, **(2)** leave in the TSP, **(3)** move to a new employer plan, **(4)** take a lump-sum distribution and pay taxes.[13] Rolling to an IRA before age 59-1/2 permanently eliminates the Rule of 55.[8]

COMMON ACTIONS TO REVIEW WITH YOUR ADVISOR

- ☐ Confirm you are contributing **at least 5% of your basic pay** every pay period to receive the full agency match[4]
- ☐ Spread contributions across **all 26 pay periods** — do not max out early and lose matching contributions[4][12]
- ☐ Evaluate **Traditional vs. Roth TSP** based on your current bracket and expected retirement income[7]
- ☐ If earning $150K+ and over 50, re-elect catch-up as **Roth — required starting in 2026**[1][7]
- ☐ If age 60-63, verify you are capturing the **$11,250 super catch-up**[2]
- ☐ Review your **fund allocation** — confirm it aligns with your timeline and risk tolerance[5]
- ☐ Consider whether an **in-plan Roth conversion** (new in 2026) fits your tax planning strategy[11]
- ☐ Understand the **Rule of 55** before deciding whether to roll your TSP to an IRA at separation[8]

- ☐ Keep your **beneficiary designation** current at tsp.gov
- ☐ Model the impact of **RMDs at age 73** given your pension, Social Security, and TSP balance

Sources

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