



# THRIFT SAVINGS PLAN FACT SHEET

## The Thrift Savings Plan and IRAs

Participants frequently ask questions about their Thrift Savings Plan (TSP) accounts and Individual Retirement Accounts (IRAs). You may find the following information helpful; however, for authoritative tax advice, you should contact a tax advisor, state taxing authority, or local Internal Revenue Service (IRS) office.

### ***Can I contribute to both my TSP account and an IRA?***

Yes. Your participation in the TSP does not affect your eligibility to contribute to an IRA. However, the Internal Revenue Code (I.R.C.) establishes elective deferral limits regarding the amounts that you can contribute to tax-deferred accounts in the aggregate. (The *Summary of the Thrift Savings Plan for Federal Employees* and the *Summary of the Thrift Savings Plan for the Uniformed Services* discuss limits on contributions to the TSP.)

Your IRA provider or tax advisor can give you specific information about these limits, the different types of IRAs, the rules affecting each type, and how they apply to your situation. You can also obtain a copy of IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

### ***Can I move money from my IRA into my TSP account — or money from my TSP account into my IRA?***

Generally, yes. However, you can move your money only from the TSP into a “traditional IRA” or from a traditional IRA into the TSP. A traditional IRA is an individual retirement account described in § 408(a) of the I.R.C. or an individual retirement annuity described in I.R.C. § 408(b). It does not include a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).

There are two ways to move your money between the TSP and a traditional IRA. You can **transfer** your payment by asking that it be made directly from your traditional IRA into the TSP (or directly from the TSP into your traditional IRA). You may also **roll over** your payment, in which case the payment

is made to *you* from the TSP (or your traditional IRA) and you will have to deposit it yourself into the traditional IRA (or the TSP).

**Note:** Rollovers and transfers are governed by different tax rules. (See “What are the tax consequences if I transfer or roll over money from the TSP to a traditional IRA?” on page 2.)

### ***How do I transfer or roll over money between my traditional IRA and my TSP account?***

If you have left Federal service or the uniformed services and elect to withdraw your TSP account balance in a single payment (or monthly payments over a period of less than 10 years), you can ask the TSP to transfer all or any portion of your payment(s) directly to a traditional IRA. You can do this by noting your request on your withdrawal form. You can also roll over all or any portion of amounts that are paid to you. Similarly, you can either transfer or roll over an age-based in-service withdrawal into a traditional IRA.

In order to transfer or roll over a traditional IRA to your TSP account, you and the IRA custodian must complete Form TSP-60 (or, if you are a member of the uniformed services, Form TSP-U-60), Request for a Transfer Into the TSP, which you can obtain from the TSP Web site ([www.tsp.gov](http://www.tsp.gov)) or the TSP Service Office. Additional information about transfers can be found in the instructions to those forms.

**Note:** Members of the uniformed services are entitled to contribute tax-exempt money (i.e., combat zone pay, which is never subject to Federal income tax) to the TSP. The tax-exempt portion of a TSP uniformed services account may be transferred or rolled over into a traditional IRA, but only if the

IRA accepts tax-exempt balances. (The TSP will not accept tax-exempt balances into a civilian TSP account.)

If you transfer or roll over a tax-exempt balance into a traditional IRA, it is your responsibility to keep track of the amount of these contributions and report that amount to the IRS on the appropriate form so that the nontaxable amount of any future distribution(s) can be determined.

If you ask the TSP to transfer a payment from your account which includes a tax-exempt balance and the IRA does not accept tax-exempt balances, the tax-exempt portion of the intended transfer will be removed from the amount that is being transferred and will be paid directly to you.

***What are the tax consequences if I transfer or roll over money from the TSP to a traditional IRA?***

If you request a transfer of your money, you do not pay taxes (or an early withdrawal tax penalty, if you are under 59½ years old) until you withdraw the money from the IRA. However, if you receive the money directly, the TSP must withhold 20 percent

for Federal income taxes even if you then decide to roll it over to your IRA (which you can do within 60 days of receiving it).

If you decide to roll over your withdrawal after you receive it, you can deposit personal funds into your IRA equal to the amount withheld for taxes. Otherwise, the amount withheld will itself be subject to taxes (and the early withdrawal tax penalty, if applicable).

These rules are the same if you decide to transfer or roll over money from a traditional IRA to the TSP. For more information about mandatory tax withholding, see the tax notice "Important Tax Information About Payments From Your TSP Account," which is available from the TSP Web site ([www.tsp.gov](http://www.tsp.gov)) or from your agency or service.

***Can I transfer my TSP account to the IRA of my spouse?***

Generally, no. Your spouse's IRA is not eligible to receive your TSP account. However, a spouse can transfer to his or her IRA amounts received from the TSP upon the death of a participant or pursuant to a qualifying court order.