



Bulletin Highlights

- Effective 25 June 2012 you can make Roth contributions to your TSP account. View the TSP Video, “Introducing Roth”, available at <https://www.tsp.gov/whatsnew/roth/index.shtml>.
- When you withdraw funds from your Roth balance, you won’t pay taxes on any earnings, as long as you are at least age 59½ (or disabled) **and** your withdrawal is made at least 5 years after the beginning of the year in which you made your first Roth contribution.
- You can contribute to both your Roth and traditional TSP balances but the total amount of the contributions cannot exceed the Internal Revenue Service (IRS) elective deferral limit.
- Roth TSP contributions will be invested in the same fund allocation as traditional TSP contributions.
- There is no Roth option for Agency Automatic (1%) and Agency Matching Contributions for Federal Employees Retirement System (FERS) employees. They are always tax deferred.
- If you are currently making traditional TSP contributions and also want to make Roth TSP contributions you must make a new election. There is no action required if you want to continue traditional TSP contributions.
- You will make your Roth TSP contribution election (regular and catch-up) using the Employee Benefits Information System (EBIS).

What Are Roth TSP Contributions?

Since 1987 TSP contributions have been made on a pre-tax basis (contributions are taken out of your paycheck before your income is taxed). This gives you a tax break today. Your contributions grow in your account tax-deferred, but when you withdraw your money, you pay taxes on both the contributions and the earnings.

Effective 25 June 2012 civilian employees within the Department of the Navy have the option to make TSP contributions on an after-tax basis (contributions are taken out of your paycheck after your income is taxed); these are known as Roth TSP contributions. When you withdraw funds from your Roth balance, you will receive your Roth contributions tax-free since you have already paid taxes on the contributions. You also won’t pay taxes on any earnings, as long as you are at least age 59½ (or disabled) **and** your withdrawal is made at least 5 years after the beginning of the year in which you made your first Roth contribution.

Roth TSP contributions may be made in addition to or in lieu of traditional TSP contributions and are subject to the elective deferral limit. Combined traditional and Roth TSP contributions cannot exceed IRS the elective deferral limit for 2012 of \$17,000.

Participants age 50 and over may elect to make Roth TSP catch-up contributions. Combined traditional and Roth TSP catch-up contributions cannot exceed the IRS elective deferral limit for 2012 of \$5,500.

If you make Roth contributions you will have a Roth “balance” in your account, in addition to any traditional “balance”. Traditional and Roth money must be kept separate in your account for tax purposes, but the two “pots” of money together make one TSP account balance. Any transaction you make – such as interfund transfers, contribution allocations, loans, beneficiary designations, and withdrawals-will apply in equal proportions to the Roth and traditional balances.

For FERS employees, Agency Automatic (1%) and Agency Matching Contributions are a part of your traditional balance. Roth TSP contributions are added to traditional TSP contributions when determining the percentage of pay being contributed for purposes of the Agency Matching Contribution formula.

You will be able to transfer Roth 401(k), Roth 403(b), and Roth 457(b) (but not Roth IRA) money into the Roth balance of your TSP account. Pre-tax transfers will continue to be placed in your traditional TSP balance.

When you withdraw your account, you will be able to separately transfer any portion of your Roth and traditional balances to IRAs or other eligible employer plans.

For additional information, watch the TSP Video “Introducing Roth” and review a comparison chart about traditional TSP and Roth TSP contributions at <https://www.tsp.gov/whatsnew/roth/index.shtml>

Difference Between Roth TSP and Roth IRA

Roth TSP is not a Roth IRA. Any participant who is eligible to contribute to the TSP can make Roth contributions subject to IRS deferral limits. If you are eligible to contribute to a Roth IRA, making Roth contributions to your TSP account will not affect your Roth IRA contribution limits. The table below compares Roth IRA and Roth TSP.

	Roth IRA	Roth TSP
Income limits	Not available to taxpayers with income above certain limits	Available to all participants regardless of income
Contribution limits	\$5,000 (\$6,000 if at least 50 years of age)*	\$17,000 (plus an additional \$5,500 if at least 50 years of age)*
Required Minimum Distribution (RMD)	Not subject to RMD until the IRA owner dies	RMD apply to both Roth and traditional balances
Rollover rules	May not be rolled into a Roth 401(k); a Roth IRA can only be rolled into another Roth IRA	Can be rolled into another Roth 401(k) or a Roth IRA

*2012 limits

Can Roth Benefit You?

Since everyone’s situation is different, you should consult your financial advisor to determine whether Roth TSP contributions should be a part of your financial plan. You might benefit from making Roth TSP contributions if:

- You think your tax rate may be higher in retirement than it is now. With Roth, your contributions are taxed at your current lower rate, and you avoid paying taxes at the expected higher rate in the

future. This means the Roth TSP option could be particularly beneficial for younger federal employees.

- You want tax diversification and see an advantage in making after-tax contributions so that you can have tax-free withdrawals in retirement.

How to Make a Roth Contribution Election

Beginning 25 June you will be able to make your Roth contribution election (regular and catch-up) using EBIS at <http://www.public.navy.mil/donhr/Benefits/ebis/Pages/Default.aspx>. You can elect any whole percentage or whole dollar amount of basic pay per pay period as Roth contributions. The election may be in addition to or in lieu of an election to make traditional contributions. You will enter an amount or percentage for each type of contribution you elect. For example, you could elect to contribute 5% of basic pay as a Roth TSP contribution and \$25.00 as a traditional TSP contribution (or vice versa).

If you make your election during the period 25 - 30 June, it will be effective 1 July and you will see the deductions in the pay check you receive on 20 July. For elections made after 30 June refer to the chart located at <http://www.public.navy.mil/DONHR/BENEFITS/Pages/EffectiveDateChart.aspx> for effective dates.

A reminder that for Roth TSP earnings to be tax free you must make your withdrawal at least 5 years after the beginning of the year in which you made your first Roth contribution. The earlier you elect to participate in Roth TSP the earlier your 5 year participation date begins.

You can designate any whole percentage or whole dollar amount of your basic pay as Roth contributions. You can contribute to both your Roth and traditional TSP accounts but the total amount of contributions cannot exceed the IRS elective deferral limit.

Money already in your TSP account when you begin making Roth TSP contributions will remain part of your traditional TSP balance. You will not be able to convert your traditional TSP balance to your Roth account.

If you are currently making traditional TSP contributions and also want to make Roth TSP contributions you must make a new election. There is no action required if you want to continue traditional TSP contributions.

Questions

If you have questions about TSP please call the Benefits Line at 888-320-2917 and select menu option #4 to speak with a Customer Service Representative (CSR). CSRs are available from 7:30 a.m. until 7:30 p.m., Eastern Time, Monday through Friday, except on federal holidays. The TTY number is 866-359-5277.

You may also email your questions to navybenefits@navy.mil. You must include your full name, pay plan, grade, contact telephone number and the best time to call you but please do not include Privacy Act Information such as date of birth or social security number.