Your TSP Account:
What to Think About When Nearing Retirement or Considering Leaving the Government

October 6, 2020
Alan Sorcher
Tom Manganello
Randy Urban
Paul Saulski
The SEC’s Office of Investor Education and Advocacy is providing this information as a service to investors. This presentation is not a statement of official SEC policy, a legal interpretation, or investment advice.
Your TSP Account

What to Think About When Nearing Retirement or Considering Leaving the Government
Investor.gov
U.S. SECURITIES AND EXCHANGE COMMISSION

Check Out Your INVESTMENT PROFESSIONAL

It's a great first step toward protecting your money. Learn about an investment professional's background, registration status, and more.

About Us | Contact Us | Follow Us | información en Español

Search Investor.gov
Risk, Fees and Fraud in Investing

Considerations When Retiring or Leaving the Government

October 6, 2020

Tom Manganello and Paul Saulski
All Investments Have...
Investment Risks/Returns

**Short-Term Goals**
- Bank Accounts
- CDs
- Money Markets
- TSP G Fund

**Long-Term Goals**
- Individual Stocks
- Stock Funds
- TSP C, S and I Funds
- Government
- Municipal
- Corporate
- TSP F Fund
Asset Allocation

Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash.

Sample Portfolio

- Stocks
- Bonds
- Cash
Time: Friend or Foe?

U.S. Large Stock Performance (1926-2019)
TSP – Risk and Returns
Risk allocation changes based on your expected retirement date
Managing Risk

Manage risk with asset allocation and diversification
Diversification with Mutual Funds and ETFs

Pools of money invested by a fund in stocks, bonds or other securities

Benefits of funds:
- Diversification
- Professional management
- Affordability
- Liquidity
Fees

All investments have fees. And they matter.
Growth of $100k Invested Over 20 Years Depending on Fees

- **TSP**: $384,000
- **Index**: $377,000
- **Managed**: $339,000
Five Questions to Ask About Fees

• What are the total fees to purchase, maintain and sell this investment?
• Are there ways to reduce or avoid some of these fees?
• Are there similar products that I can purchase that have lower fees?
• How much does this investment have to increase in value before I break even?
• What are the ongoing fees to maintain my account?
FINRA Fund Analyzer

Analyze and compare the cost of owning funds

Search by Fund Name, Family, Ticker or Keywords

By clicking SEARCH or otherwise using the Fund Analyzer, I agree to the Fund Analyzer Terms of Use.

Filtered Search  Favorites  Help

Disclaimer: The future values depicted are based on the rates of return chosen by the user and are not a depiction of actual returns.

Why Use the Fund Analyzer

www.finra.org/fundanalyzer
The Thrift Savings Plan (TSP) is a defined contribution plan for federal/military employees, similar to a 401(k) plan.

Why Participate in TSP?

- Easy to enroll
- Saving is automatic
- Match up to 5% (free money)
- Tax benefits
- Low fees/expenses
- Portable (stays with you if you leave gov’t)
## TSP: Two Ways to Contribute

Retirement accounts have tax advantages:

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Roth</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Your money goes in before taxes</td>
<td>- Your money goes in after taxes</td>
</tr>
<tr>
<td>- Lowers your taxable income</td>
<td>- Your money will be tax-free when you withdraw it</td>
</tr>
<tr>
<td>- Your money will be taxed when you withdraw it</td>
<td></td>
</tr>
</tbody>
</table>
2020 TSP or 401(k) Contribution Limits

Traditional or Roth

$19,500

(50+ may add $6,500)
When You Leave the Government

- Leave all or some of your money in the TSP
- Roll your TSP account into your new employer’s plan or an individual retirement account (IRA)
- Roll retirement accounts into your TSP account
- Take a lump sum distribution -- WARNING: You will owe taxes and pay a penalty if taken before age 59½
Tips to Avoid Fraud
Unsolicited Offers

The salesperson or promoter approaches you, not the other way around

- **Examples:**
  - Cold call
  - Email
  - Social media
  - Radio and newsletters
  - Direct mail
  - Free dinner seminar

- **How to respond:** Ignore them, and if you don’t, always do your own research
Red Flags of Fraud

• Sounds too good to be true, such as promises of high returns with little or no risk

• Pressure to buy RIGHT NOW

• Lack of documentation, such as:
  - No public filings
  - No statements
  - No prospectus

• Unlicensed or unregistered salesperson
Check Any Investment Professional

Check on Investor.gov:

• License/registration
• Employment history
• Important disclosures
Get the Full Report

NAME
BARKLEY & HOWELL

Registered Investment Adviser
Registered Broker
Disclosure Reported

Get Full Report
# Disclosure Events

**NAME**
- **IA**: Investment Adviser
- **B**: Broker

**BARKLEY & HOWELL**  
**ANYTOWN, USA**

<table>
<thead>
<tr>
<th>9</th>
<th>22</th>
<th>3</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosures</td>
<td>Years of Experience</td>
<td>Examinations</td>
<td>Licenses</td>
</tr>
<tr>
<td>8 Firms</td>
<td>2</td>
<td>3</td>
<td>2 Licenses</td>
</tr>
</tbody>
</table>

## Registration History

<table>
<thead>
<tr>
<th>Disclosures</th>
<th>Date</th>
<th>Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Customer Dispute" /></td>
<td>1/20/2011</td>
<td>Customer Dispute</td>
<td>Denied</td>
</tr>
<tr>
<td><img src="image" alt="Employment Separation After Allegations" /></td>
<td>10/5/2010</td>
<td>Employment Separation After Allegations</td>
<td></td>
</tr>
<tr>
<td><img src="image" alt="Financial" /></td>
<td>4/23/2010</td>
<td>Financial</td>
<td>Final</td>
</tr>
<tr>
<td><img src="image" alt="Regulatory" /></td>
<td>1/19/1999</td>
<td>Regulatory</td>
<td>Final</td>
</tr>
</tbody>
</table>
Research Any Investment Product

Check EDGAR:

Is the product registered with the SEC?

- Scams often involve unregistered companies
- EDGAR has important information about companies
Fraud Targeting Federal Employees

SEC brought an action against Federal Employee Benefit Counselors (FEBC), whose mission was purportedly “to help” federal employees optimize benefits. SEC alleges:

- FEBC fraudulently induced federal employees to roll over holdings from TSP accounts into private variable annuities.
- FEBC created false impression it was affiliated with or approved by the federal government.
- FEBC deceived investors about fees and attractiveness of annuities.
Other Steps to Protect Yourself

- Verify anyone claiming to be from the government (call the agency)
- Don’t pay for investments with credit cards, gift cards, or wires sent overseas
- Don’t speak to unknown salespeople – and if you do, never share any personal information
- Don’t pay an upfront fee in order to claim proceeds, stock, or winnings
SEC Resources
Investor Alerts and Bulletins

- How to Use the Investment Professional Search Tool on Investor.gov
- Covid-19 Early Withdrawals from Retirement Accounts – Be Careful of Fraudsters and Other Bad Actors Targeting Your Retirement Savings
- Five Red Flags of Investment Fraud
- Look Out for Coronavirus-Related Investment Scams
- Initial Coin Offerings
Let’s Stay in Touch…

Office of Investor Education and Advocacy
U.S. Securities and Exchange Commission

Investor Assistance: 800-732-0330 | help@sec.gov

Investor.gov

www.facebook.com/SECIInvestorEducation

@SEC_Investor_Ed

Outreach@SEC.gov
Contacting the TSP

You may also visit TSP.GOV and log into “My Account” to perform many of these transactions and inquiries.

ThriftLine 1-877-968-3778
Available 24 hours a day, 7 days a week.

TSP4gov is the official YouTube channel of the Thrift Savings Plan

Secure Message Center: Civilian

The answers to many of your questions can be found right here in the Message Center. If you don't see your question in the list of frequently asked questions, you can search for the answer using our search tool below.

Find an Answer