Thrift Savings Plan

Information for TSP Participants Leaving Federal Employment

Fact Sheet **February 2025**

Introduction

This fact sheet is for federal civilian employees who are leaving federal employment and who have a Thrift Savings Plan (TSP) account.

Note that an employee on administrative leave is employed and in pay status until the date of separation.

You can stay with the TSP even if you leave your federal job. You don't have to take any money from your TSP savings until you reach the age when you have to start taking IRS required minimum distributions. You can continue to allow your investments to grow in the TSP and take advantage of the TSP's low expenses, and you'll always have secure access to manage your investments online in My Account.

Contributions to your TSP account

Employee contributions

As long as you're in pay status in a TSP-eligible position, you can start, change, or stop your TSP contributions. In most cases, you'll use your agency or service electronic payroll system to make any changes. Once you leave the federal government, you'll no longer be able to make employee contributions.

For more information about making TSP contributions, visit:

- tsp.gov/making-contributions

Agency contributions

As long as you're covered by the Federal Employees Retirement System (FERS) and in pay status, you receive Agency Automatic (1%) Contributions. You also receive Agency Matching Contributions on your own TSP contributions. Agency contributions stop when you are no longer in pay status.

For more information about agency contributions, visit:

- tsp.gov/making-contributions/contribution-types

Moving money into your TSP account

You can't make direct contributions after your date of separation. You can still move money into your TSP account from other eligible retirement plans.

For information about rollover contributions to the TSP, visit:

- tsp.gov/tsp-basics/move-money-into-tsp

Loans

New TSP loans are available only to participants who are employed, who are in pay status, and who have contributed their own money to the TSP. You repay the loan with interest in regular payments—through payroll deduction if you're still employed and in pay status in federal service, or by direct debit, check, or money order after you separate from federal employment.

If you have any TSP loans when you separate from federal employment, you must decide if you want to pay them off, keep them open and set up monthly payments, or allow them to be foreclosed and accept the outstanding balance and accrued interest as taxable income.

Failing to make loan payments in accordance with your *Loan Promissory Note* can have serious financial consequences, especially if you're still working or subject to an early withdrawal penalty tax. **You are responsible for ensuring that the loan payments are correct and submitted on time regardless of whether your agency or service missed your loan payment.**

For more information about TSP loans, visit:

- tsp.gov/tsp-loans

Withdrawals and distributions from your TSP account

For details about withdrawals and distributions from your TSP account, visit tsp.gov/forms and download these booklets:

- *Distributions*
- *In-Service Withdrawals*
- *Tax Rules about TSP Payments*

You can also find information about withdrawals and distributions on our website:

- tsp.gov/taking-money-from-your-account

If you are not age 55 or older in the year you separate, the IRS early withdrawal penalty will apply to most TSP withdrawals and all loan distributions received before age 59½. Because tax rules are complex, you may want to speak with a tax advisor before taking money from your TSP account.

In-service withdrawals

In-service withdrawals are withdrawals you may make from your TSP account while you're still employed by the federal government. There are two types of TSP in-service withdrawals: financial hardship and age-59½.

Financial hardship withdrawal

To qualify for a financial hardship withdrawal, you must have a financial need that meets certain requirements, and you must certify, under penalty of perjury, that you have a genuine financial hardship.

Age-59½ in-service withdrawal

Age-59½ in-service withdrawals are withdrawals that you can make from your TSP account when you're age 59½ or older and still employed by the federal government. You can only withdraw funds in which you are vested based on your years of service, and the amount must be at least $1,000 (or your entire vested balance if less than $1,000).

Withdrawals after separation (post-employment distributions)

After you separate from service, you have four options for taking money from your TSP account:

- Partial distribution of a specified amount
- Total distribution
- Annuity purchase
- Installments (automatic withdrawals)

You can request a distribution using one of these methods or any combination of them that you choose.

For in-depth information about these and other TSP topics, browse our free TSP webinars:

- tsp.gov/online-learning