



INCOME IN RETIREMENT FROM TSP

More and more government retirees and near-retirees are asking how can I be assured of additional income during retirement years without being subjected to the turbulence in the stock markets.

In your TSP plan, you have a lifetime income option and in private sector world, insurance companies have offered similar lifetime income payments through annuities. However, in the TSP a traditional lifetime income annuity requires you to exchange your TSP account balance for income payments. Thereby, the account balance was not able to withdraw any lump sums from the account other than the income stream.

Because of growing demand for flexibility and additional income options, outside the TSP, insurance companies are offering riders to income options through annuities called guaranteed lifetime withdrawal benefits. These allow lifetime income payments while continuing to have access to the principal remaining value of your TSP. (You must roll your TSP to use this strategy, to an IRA in retirement.)

Those riders have some different variations depending on the company insurer, but they all have some common variables:

- The account is invested in subaccounts.
- The investor can elect to receive annual withdrawals from the annuity that last for life.
- The owner continues to control the investment subaccounts and has access to it.
- The income stream can be started and stopped anytime.
- A base line income stream will not go away even if the investment account decreases or is exhausted.
- The income stream, generally, starts at 5% of the original deposit or the investment account balance, whichever is higher.
- Some companies increase the potential income stream each year no withdrawal is taken.

This guaranteed minimum income benefit pays a minimum yearly income, even if the account value decreases. The account value may be subject to market fluctuations, but the income stream is not.



Since these benefits are offered as riders, there are fees associated with them. Pretty good idea if a federal retiree wants a lifetime income stream from the TSP to supplement the CSRS or FERS income without giving up access to the investment.

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