



**Benefit Planning Inc**

**CFP® CLU®**

1900 NW South Outer Road, Ste 200

Blue Springs, MO 64015

**816-228-5948**

wguemmer@moneyconcepts.com

## Understanding the TSP Modernization Act

I'll be writing a series of short articles about the new changes that went into effect on September 15<sup>th</sup>, 2019 and what they mean for TSP participants. The focus of this article will be on the installment payment options.

The following table contrasts the old rules and new rules with regard to installment payments from a TSP account.

Old Rules	New Rules
Monthly payments were the only frequency option A TSP participant had for post-separation TSP Installment payments.	In addition to monthly payments, annual and quarterly payments are now permitted for post-separation TSP installment payments.
Monthly payment amount could only change once per year between Oct 1 -Dec 15.	Annual, monthly, or quarterly payments can now be changed at any time during the year.
If a TSP participant stops post-separation monthly installment payments, then the remainder of TSP participant's TSP account must be withdrawn in a final (lump sum) withdrawal or transferred to an IRA or to a qualified retirement plan.	A TSP participant can start, stop, or make changes to post-separation installment payments at any time.

Without a doubt the increased flexibility for installment payments can be a welcome advantage to those who are unsure about their financial needs. In the first few years of retirement adjusting to the decrease in income can potentially lead to the TSP participant needing supplemental income. Although most people choose to take supplemental income on a monthly basis there are those that will appreciate the option for quarterly or annual payments for recurring expenses such as insurance premiums.

The option to change the frequency or amount at any time during the year takes the pressure off those that need more or less income than what they had anticipated.

I think it's a great improvement for those who stop their installment payments. Now they will no longer be required to roll the remaining balance out to an IRA/Qualified plan or take a lump sum. I'm sure more than a few TSP participants were unpleasantly surprised when they were informed that they would have to take all their money out when stopping post-separation installment payments.

Even though these new installment payment options are a definite plus, I feel that the changes for partial withdrawals will be viewed as the most significant revision of the TSP Modernization Act. I look forward to sharing my thoughts with you on that next.