

Mistiming of TSP contributions can mean forfeiture of matching funds

by The Federal Employee Blog Team

If you mistime your TSP contributions, you may not get your full 5% matching contribution – even if you are maxing out your contributions.

For 2015, the maximum contribution you can make to your TSP is \$18,000 (not including catch-up contributions by folks over 50). Depending on how you set up your TSP contributions, you could miss out on matching contributions. Follow this example:

Consider a 45 year old federal employee who makes \$4,000 per pay period (just slightly more than \$104,000 per year). This federal employee contributes \$1,000 to her TSP every pay period and receives a matching contribution of \$200 every pay period (5% of her salary). This scenario is going to lead to problems with her matching contributions.

The timing issue comes into play in pay period 19. After 18 pay periods, the federal employee has contributed \$18,000 to her TSP (18 x \$1,000 per pay period). That is the maximum an individual can contribute to the TSP – so beginning in pay period 19, no more TSP contributions can be made. Since no contributions are made in pay periods 19-26, no matching contributions are made either.

Here is a tally of TSP contributions made by the end of the year:

Employee contributions \$18,000 (the max) (18 x \$1,000)
Matching contributions \$3,600 (only 3.46%) (18 x \$200)

The employee received matching contributions of only \$3,600 for the year – despite contributing the maximum themselves (and far more than 5% of her salary).

The shortfall in matching contributions arises from the timing of her TSP contributions. By maxing out her TSP contributions before the end of the year – and thus not making any TSP contributions herself in pay periods 19-26 –she missed matching contributions for each pay period after she could no longer make contributions because she had already maxed out her contributions.

To be sure you receive all the matching contributions you are entitled to, calculate TSP contributions so that they are spread out over all 26 pay periods – and you are making a contribution of at least 5% of your paycheck every pay period.

Federal employee question of the day

From an IHS federal employee in OR: I am 66 years old and have worked for the I.H.S. for 32 years. I have approx. \$419K in my TSP. My house is not paid for. My payment is \$1200/mo. How much will I get from my TSP, my retirement and SS and how much will be taxed. I would like to retire due to health reasons, but I'm afraid I won't have enough money to live on.

Have you ever had any questions like this?

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