

Q: How do I decide whether to contribute to Roth or traditional TSP?

A: Your decision about Roth and traditional TSP is a choice of when you pay income tax on your TSP contributions and earnings. There isn't a set formula to determine which choice is best for everyone, and your decision may change as your income and needs change over time. It's definitely worth spending some time learning the details relevant to your situation. Here are a few questions you'll want to ask yourself to get started:

1. **Do I expect a higher or lower income tax rate in retirement?**
2. **How much money do I need in my paycheck right now?**
3. **Will my choice of tax treatment affect how much income tax I need to pay?**

Roth TSP

With Roth TSP, your contributions go into the TSP after tax withholding. That means you pay taxes on your contributions at your current income tax rate. The advantage of the Roth TSP is that you won't pay taxes later when you withdraw your contributions and any qualified earnings. **If you expect your tax rate to be higher when you make withdrawals, Roth TSP may be the better option.**

Traditional TSP

With traditional TSP, your contributions go into the TSP before tax withholding. However, when you withdraw money from your traditional TSP, you'll pay taxes on both your contributions and earnings at the income tax rate of the year you make the withdrawal. **If you expect your tax rate to be lower when you make withdrawals, traditional TSP may be the better option.**

A mix of both Roth and traditional TSP

You may consider splitting your contributions between Roth and traditional TSP. Note that if you receive automatic or matching contributions from your agency or service, those contributions will always go into your traditional TSP balance and cannot be converted to Roth.

For more information, visit <https://www.tsp.gov/making-contributions/traditional-and-roth-contributions/>