



Thrift Savings Plan HIGHLIGHTS

January/February 2009

Contribution limits

For 2009, the Internal Revenue Code (I.R.C.) permits you to contribute up to \$16,500 in tax-deferred money to the TSP. Members of the uniformed services serving in combat zones may contribute a total of \$49,000 in tax-deferred and tax-exempt money. Participants age 50 or older in 2009 may also contribute an additional \$5,500 in "catch-up" contributions — if their regular tax-deferred contributions are expected to reach the \$16,500 limit. You need to complete a new TSP Catch-Up Contribution Election form each year you want to make catch-up contributions.

Making loan payments via online banking?

If using an online banking service to make a TSP loan payment in addition to those from your paycheck, make sure your TSP account number and your loan number are included on the check, or the check will be returned to the issuer. Also, be sure your online banking service has your current address.

Thanks for your input!

If you were among those who participated in our recent TSP survey, we appreciate your feedback. A summary of the results of the survey is included with this newsletter.



Now's still a good time for investing in the TSP

Without a doubt, it's been a tough year for stocks and the economy as a whole. Many people are reassessing their priorities and cutting back on their expenses. But now's not the time to stop saving for your retirement! Regardless of the markets, building your retirement nest egg should be an ongoing goal. You may need to tweak your contribution amount or your investment allocation, but wholesale changes are generally not a good idea — particularly those made in the emotionally-charged roller coaster we've all been experiencing. So be sure you've thought through your decisions with your long-term goals in mind before you decide to change your retirement strategy. Here are just a few reasons to continue your TSP contributions:

- \$ April 15th is just around the corner! For every dollar you save through the TSP, you're getting a *tax break* now. Remember, your contributions go into the TSP before your taxes are withheld. And if you are retired when you eventually pay taxes on your savings, your income — and tax bracket — may be lower than they are now.
- \$ If you're a FERS employee, you're getting *free money* now — a dollar-for-dollar match on the first three percent of pay that you contribute and \$.50 per dollar on the next two percent. That's a 100 percent return on the first three percent of pay and a 50 percent return on the next two.
- \$ *Discipline matters* — regardless of what is going on in the market. It is essential to develop a solid investment strategy and stick to it. The options available in the TSP have been created to help you do just that. Using the TSP stock and fixed income funds (G, F, C, S, and I Funds), you can design your asset allocation to fit your risk tolerance and time horizon. An alternative would be to choose an L Fund that is targeted toward when you will need the money after you leave Federal service. The L Funds take a conservative approach to asset allocation and, unlike some private sector target date funds, don't alter the allocation in an attempt to chase returns.
- \$ The younger you are, the more risk you can take because you have time on your side. Right now, values of the TSP stock and L Funds are down — an opportunity for you if you have a long time horizon. If you take advantage of *dollar cost averaging* by contributing to your TSP account each pay period, you'll find that all those extra shares you've accumulated when prices were low will result in your account increasing more quickly when the market rebounds. Plus, investing consistently reduces your average cost per share and prevents you from buying too many shares when the price is high or too few when the price is low.
- \$ *Administrative expenses matter*. The TSP's expense ratio for 2007 was only 0.015 percent — just 15 cents for each \$1,000 of your account. All those savings add up over time.
- \$ *Safety with an advantage*. For people who don't want any risk, the G Fund offers a unique safety net. Although the G Fund, over time, yields smaller returns than stocks and bonds, you can invest in the G Fund without any risk of loss while receiving the long-term bond rate. You can't match this advantage in the private sector. So you should consider the G Fund when developing your investment strategy. But keep your time horizon (when you will need to withdraw your money) in mind. Or you can invest in the L Funds, which gradually increase your allocation to the G Fund as you get closer to your target date. 🧠

TSP Web Site:
www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400

TDD: 1-TSP-THRIFT5
(1-877-847-4385)

New Year Reminders

IRS Form 1099-R documenting your withdrawals and other taxable distributions will be sent by January 31, 2009. These forms will also be available from the Account Access section of the TSP Web site (www.tsp.gov).

For income tax purposes, monthly payments that were processed on or before December 26, 2008, will be reported to the Internal Revenue Service (IRS) as income for 2008. These include monthly payments that would normally have been disbursed December 29 through December 31, 2008, but were instead disbursed on December 26, 2008, in accordance with the TSP's 2008 end-of-year schedule.

Withdrawals made on December 29, 2008, will be reported to the IRS as income for 2008. Withdrawals made on December 30 and 31 will be reported to the IRS as income for 2009.

Supplemental required minimum distributions for 2008 were made on December 26, 2008, and will be reported to the IRS as income for 2008.

The TSP must receive your request for a refund of excess 2008 contributions by March 31, 2009. This applies to you if you contributed more than \$15,500 in 2008 to the TSP **and another** eligible plan (more than \$20,500 if you also made catch-up contributions). If your excess contributions were put into a civilian **and** a uniformed services TSP account, or if you are a member of the uniformed services and your total tax-deferred and tax-exempt TSP contributions exceeded \$46,000, your refund will be *automatic*, and you do not need to make a request for a refund.

The TSP withdrawal deadline is April 1, 2009, if you were 70½ and were separated from service in 2008. If this applies to you, you must withdraw or begin receiving monthly payments from your TSP account by that date.

For more information about any of these items, visit the TSP Web site, check with your agency or service, or call the TSP. 

Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2008										
Jan	- 5.37%	- 4.71%	- 3.90%	- 2.07%	- 0.97%	0.33%	1.76%	- 5.98%	- 6.27%	- 8.52%
Feb	- 1.80	- 1.51	- 1.25	- 0.59	- 0.22	0.24	0.16	- 3.28	- 2.05	- 0.66
Mar	- 0.29	- 0.18	- 0.06	0.07	0.23	0.32	0.33	- 0.46	- 1.43	0.18
Apr	4.26	3.74	3.23	1.93	1.20	0.24	- 0.16	4.94	5.30	5.55
May	1.65	1.48	1.23	0.78	0.59	0.32	- 0.74	1.27	4.88	1.09
June	- 6.70	- 5.88	- 4.97	- 2.65	- 1.47	0.32	- 0.08	- 8.41	- 7.63	- 8.15
July	- 1.31	- 1.07	- 0.82	- 0.23	0.00	0.40	- 0.01	- 0.80	- 0.79	- 3.72
Aug	0.11	0.17	0.16	0.29	0.35	0.33	0.92	1.46	2.17	- 4.16
Sept	- 8.35	- 7.24	- 6.01	- 3.00	- 1.75	0.31	- 1.31	- 8.94	- 10.32	- 12.31
Oct	- 15.40	- 13.40	- 11.10	- 5.41	- 3.44	0.31	- 2.40	- 16.83	- 20.99	- 20.59
Nov	- 5.85	- 4.96	- 3.91	- 1.58	- 0.84	0.31	3.30	- 7.18	- 11.13	- 6.72
Dec	3.63	3.24	2.82	1.66	1.21	0.24	3.73	1.07	4.68	7.66
Annual 1999 – 2008										
1999	-	-	-	-	-	5.99%	- 0.85%	20.95%	-	-
2000	-	-	-	-	-	6.42	11.67	- 9.14	-	-
2001	-	-	-	-	-	5.39	8.61	- 11.94	-	-
2002	-	-	-	-	-	5.00	10.27	- 22.05	- 18.14	- 15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
2004	-	-	-	-	-	4.30	4.30	10.82	18.03	20.00
2005	-	-	-	-	-	4.49	2.40	4.96	10.45	13.63
2006	16.53	15.00	13.72	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43
2008	- 31.53	- 27.50	- 22.77	- 10.53	- 5.09	3.75	5.45	- 36.99	- 38.32	- 42.43

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued investment management fees. Additional information about the TSP funds, the related indexes, and their respective 1-, 3-, 5-, and 10-year returns can be found in the TSP Fund Information sheets on the TSP Web site.

The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.