Thrift Savings Plan

HIGHLIGHTS

January/February 2010

The Bull by the Horns

Less than 18 months after the world financial system looked into the abyss, the crisis appears to be over. But we don't know what the future will bring to the financial markets, anymore than we know what the future will bring to us in any other area of life. Whether your personal philosophy agrees with the financial "bull" who believes that markets will follow an upward trend, or with the "bear" who believes that markets will follow a downward path, you should have a plan for your retirement that reflects your informed financial views and your personal goals. Fortunately, you are already a participant in one of the finest retirement savings plans in the world. Let 2010 be the year you make the most of it.

What's your plan? For almost all of you, your three potential sources of retirement income are your annuity payments, Social Security benefits, and your personal savings and investments, including the TSP and any other retirement accounts you may have.

If you are a FERS employee, the TSP is a critical component of your Federal retirement benefit. It is designed to provide a significant portion of your retirement income. That is why FERS employees receive agency contributions to their accounts — the Agency Automatic (1%) Contribution and the potential for up to 4% of basic pay each pay period in Matching Contributions. You have to save 5% of your pay to get the full match. Anything less is just walking away from free money.

If you are a CSRS employee or a member of the uniformed services, your pension payments will be a sizeable portion of your retirement income. As a supplemental savings plan, the TSP offers a great opportunity to save and invest, tax deferred, at very low cost.

Are you contributing as much as you should to the TSP? By law, you can contribute up to $16,500 to the TSP in 2010 — the IRS elective deferral limit. If you are age 50 or over, you can contribute an additional $5,500 in catch-up contributions, for a total of $22,000. If you are a member of the uniformed services, you may contribute a total of $49,000 in tax-deferred and tax-exempt money. Those are big sums, more than many TSP participants can save in their TSP accounts, and more than many TSP participants may need to save to reach their retirement goals.

Realistically, how much should you be saving? Use the Retirement Planning Calculator on the TSP website to get an estimate of how much you will need for retirement. If you find that you are not saving enough, start devising a strategy now to reach your goal. As you plan to maximize your savings, remember that what you save in the TSP comes out of your pay before taxes are calculated, which effectively reduces the amount of your taxable pay. As a result, because you pay less in taxes, your TSP contribution takes less out of your pay than its face value. For example, for a TSP participant making $38,000 a year, a 5% TSP contribution from biweekly pay would be $73, but the participant's paycheck would be reduced by only $61.*

*This example is based on a married individual filing jointly in 2008 with two dependents.

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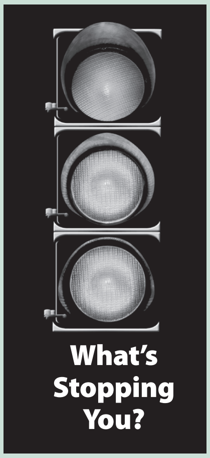

If you received the leaflet pictured above in the mail, you are one of approximately 375,000 Federal employees covered by the Federal Employees' Retirement System (FERS) who is not currently contributing your own money to your TSP account. Although your agency is putting in an amount equal to 1% of your pay each pay period, you are missing out on the additional 4% that you can claim by making a contribution of 5% of your basic pay. Even if you contribute less, you still get matching money. Don't let this valuable benefit slip through your fingers — use either Form TSP-1 (www.tsp.gov) or your agency's electronic version of the form to sign up. Start saving today!

Need savings and investment information?

Try some of these public interest websites:

www.mymoney.gov

www.asec.org

www.investoreducation.org

www.sec.gov/investor

How is your investment strategy working for you? You have now received three annual participant statements (for 2007, 2008, and 2009). Each statement shows your "Personal Investment Performance." Compare how well your investment strategy for each of the three years compared to the annual returns of the TSP funds for those same years (shown below). You might also consult the Historical Returns charts on the TSP website to see how funds did over a longer period.

You may find that some funds did better than your personal performance, and some may not have done as well. Because it is difficult, if not impossible, to predict which funds will do well in any given time period, the TSP created the L Funds. Each L Fund is a professionally diversified mix of all five TSP funds (G, F, C, S, and I), giving you a chance to benefit from higher rates of return when they occur in certain funds, while mitigating your losses when they occur in other funds. The mix lowers your level of risk as you get closer to the year you'll need your money in retirement. The only choice you need to make is the L Fund that comes closest to that year. For example, if you think you will need your money between 2025 and 2034, you'd likely choose the L 2030 Fund. (Visit the TSP website for a full discussion of the L Funds.)

Educate yourself. Let's face it. The best place to go for financial advice is most likely not your co-worker in the next cubicle. Whether or not you consult a professional for financial advice, there is no substitute for learning as much as you can about your personal finances. There are many sources of information in print and on the Internet to help you make savings and investment decisions. These sites can also give you ideas to help you reduce your monthly expenses so you can afford to save more. Look for sites presented in the public interest that have nothing to sell you and don't seek to influence your investment decisions. See the list on the reverse page for some ideas. Here's to learning more and saving more in 2010!

Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2009										
Jan	– 7.67%	– 6.69%	– 5.58%	– 2.61%	– 1.74%	0.19%	– 0.86%	– 8.41%	– 8.19%	– 11.93%
Feb	– 8.52	– 7.47	– 6.22	– 2.95	– 1.98	0.21	– 0.39	– 10.64	– 10.22	– 10.23
Mar	7.08	6.30	5.35	2.82	2.06	0.24	1.38	8.81	8.64	7.20
Apr	9.38	8.20	6.79	3.20	2.37	0.21	0.49	9.58	15.00	12.13
May	6.19	5.45	4.66	2.28	1.70	0.25	0.78	5.60	3.97	13.41
June	0.09	0.12	0.14	0.24	0.26	0.27	0.54	0.24	0.73	– 1.08
July	7.01	6.16	5.16	2.44	1.94	0.28	1.59	7.58	8.66	9.74
Aug	3.41	3.02	2.57	1.30	1.07	0.28	1.03	3.62	3.85	4.87
Sept	3.56	3.14	2.63	1.32	1.08	0.26	1.07	3.74	5.94	3.79
Oct	– 2.15	– 1.81	– 1.39	– 0.38	– 0.26	0.26	0.51	– 1.86	– 5.51	– 2.41
Nov	3.98	3.55	3.00	1.47	1.27	0.26	1.30	6.00	3.85	3.16
Dec	2.12	1.85	1.50	0.70	0.59	0.25	– 1.55	1.94	6.57	1.43
Annual 2000 – 2009										
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
2009	25.19	22.48	19.14	10.03	8.57	2.97	5.99	26.68	34.85	30.04

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 website.

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.

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