Thrift Savings Plan
# HIGHLIGHTS

April 2011

# The Simple Plan

We all crave a little simplicity in our lives. But let's face it, the realm of financial planning is rarely the place to find it. April is Financial Literacy Month — the time each year when you hear a lot in the media about what you should do to give your financial plan a tune-up. High on the to-do list is making retirement planning a priority. The simple goals? Save more, invest wisely by diversifying, pay as little as possible in fees. As a Federal employee or member of the uniformed services, you have a leg up in all three areas. You have the wonderfully simple Thrift Savings Plan.

**Save more.** Nearly 4.7 million Federal employees with TSP accounts received an annual participant statement last month. This year, for the first time, your statement showed the amount your TSP account would yield each month if you purchase an annuity when you are age 62 (or older). If the amount was not what you needed, you may have resolved to save more. But how do you build a bigger retirement account when you have house payments, car payments, tuition, aging parents, and countless other demands on your cash? If you are a Federal Employees' Retirement System (FERS) participant, you can start by at least saving enough (5% of basic pay) to get the full 5% Agency Automatic and Matching Contributions from your agency — that's doubling your money right out of the gate. Really, can you afford not to?

No matter whether you are covered by FERS, the Civil Service Retirement System (CSRS), or you are a member of the uniformed services, saving for retirement in the TSP is a remarkable bargain (more about that on the next page), and there are many small spending adjustments that will help you save more and yield long-term savings payoffs. For example*:

| If you saved the cost of: | You could contribute: | In 10 years you'd have: | In 20 years you'd have: | In 30 years you'd have: |
|---|---|---|---|---|
| **1 movie/month for 2 ($16)** | $192/year | $2,629 | $7,411 | $16,112 |
| **$5 in groceries/week (using coupons)** | $260/year | $3,560 | $10,036 | $21,819 |
| **2 fancy coffees/week ($7)** | $364/year | $4,983 | $14,050 | $30,546 |
| **1 large pizza/week ($15)** | $780/year | $10,679 | $30,108 | $65,457 |
| **3 take-out lunches/week ($21)** | $1,092/year | $14,950 | $42,151 | $91,639 |

* All figures assume a 6% rate of return, compounded monthly.

You get the idea. Small sacrifices can really make a difference. Find the spending adjustments that make sense for you.

*(Continued on back)*

## Another great way to maximize your TSP account

Did you know that you can transfer or roll over your traditional IRAs, SIMPLE IRAs, and other eligible employer plans into your TSP account?

You get two advantages: You simplify the management of your retirement savings, and more importantly, you get to apply the TSP's very low fees to more of your investments. Check to see what you are paying to keep your money in IRAs and other retirement plans. High fees could be eating away at your savings and limiting the growth of your investments.

You can transfer money into your TSP account as long as:

- you have an open TSP account;
- your other retirement savings are before-tax money;
- the money is an "eligible rollover distribution" for Federal income tax purposes; and
- you are **not** a beneficiary participant. (Beneficiary participants are not eligible for this benefit.)

To request a transfer or learn more about your eligibility, visit the TSP website and get Form TSP-60, Request for a Transfer Into the TSP. (Use Form TSP-U-60 if you are a member of the uniformed services.) The form is available in Forms & Publications.

**Invest wisely by diversifying.** You've heard it many times before. The long-term return on your savings will be higher if you have a mix of investments in stocks and bonds. But the news every day makes you hesitate — there are too many options and too much fine print, not to mention the ups and downs of the market. Consequently, you really don't know where to start. **The TSP is a safe haven — simple and easy to understand, with 5 funds (the G, F, C, S, and I Funds) providing broad diversification in the market. The TSP makes it even easier by offering you 5 target date funds (the L Funds), which provide you a professionally diversified portfolio comprised of the stocks, bonds, and Government securities of the core funds.** L Funds save you the time and trouble of building and maintaining a diversified portfolio on your own. The L Funds are a long-term strategy — as you age, your portfolio gradually changes its asset allocation to shift more of your assets out of stocks and into Government securities where there is no risk of loss. When you make your choice, just match the year on the L Fund with the year that is closest to when you'll start to withdraw your money. It's just that simple.

**Pay as little as possible in fees.** In 2010, TSP participants paid 25¢ (.025%) to keep $1,000 in the TSP. In other words, if you had $100,000 in your account, TSP administrative expenses reduced your account's returns by only $25 in 2010. That's it. Contrast the TSP's very low expense ratio to target date funds in the market today, whose expenses range from .18% to 1.68%.* Keeping with the account example above, the "cheapest" target date fund would have cost you $180 off your returns in 2010; the most expensive fund would have cost you a whopping $1,680 — 67 times the TSP's expenses. Make no mistake about it — expenses matter. The TSP's low fees can add up to many tens of thousands of extra dollars in your account over the long-term compared with other investments. (See the TSP *Highlights*, July 2010).

**Buy into simple.** No matter what you hear in advertisements from some of the big investment firms, when it comes to saving and investing for retirement, simpler and cheaper is better for the vast majority of us. **If you do nothing else to fine-tune your financial situation this year, find a way to save more in the TSP.**

*Source: Morningstar, Inc.

## Rates of Return*

| | L 2050 | L 2040 | L 2030 | L 2020 | L Income | G Fund | F Fund | C Fund | S Fund | I Fund |
|---|---|---|---|---|---|---|---|---|---|---|
| **Monthly 2011** | | | | | | | | | | |
| Jan | – | 1.75% | 1.57% | 1.35% | 0.63% | 0.24% | 0.13% | 2.37% | 1.23% | 2.41% |
| Feb | 3.28 | 2.95 | 2.60 | 2.15 | 0.90 | 0.22 | 0.26 | 3.42 | 4.52 | 3.33 |
| **Annual 2001 – 2010** | | | | | | | | | | |
| 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 | 7.59 | 4.93 | 4.40 | 15.79 | 15.30 | 26.32 |
| 2007 | – | 7.36 | 7.14 | 6.87 | 5.56 | 4.87 | 7.09 | 5.54 | 5.49 | 11.43 |
| 2008 | – | – 31.53 | – 27.50 | – 22.77 | – 5.09 | 3.75 | 5.45 | – 36.99 | – 38.32 | – 42.43 |
| 2009 | – | 25.19 | 22.48 | 19.14 | 8.57 | 2.97 | 5.99 | 26.68 | 34.85 | 30.04 |
| 2010 | – | 13.89 | 12.48 | 10.59 | 5.74 | 2.81 | 6.71 | 15.06 | 29.06 | 7.94 |

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 Lifecycle 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.

* The L 2010 Fund was retired on December 31, 2010.

** The Government Securities Investment (G) Fund; the Fixed Income Index Investment (F) Fund; the Common Stock Index Investment (C) Fund; the Small Capitalization Stock Index (S) Fund; the International Stock Index Investment (I) Fund

Printed on Recycled Paper
FPI-PET