THRIFT SAVINGS PLAN
YOUR PLAN ★ YOUR FUTURE

HIGHLIGHTS

January/February 2013

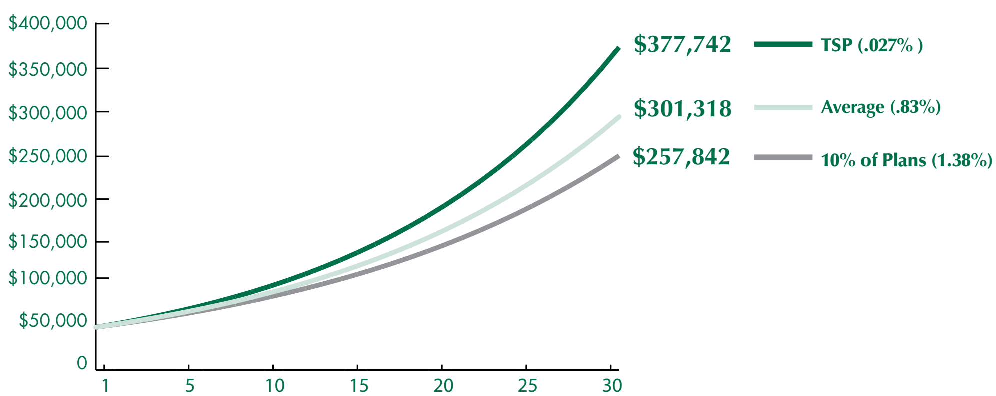
More Than You Pay For

Not all retirement investments cost the same. Paying less for your investments so you have more money when you retire is crucial to a comfortable retirement. It's just a simple fact that in order for your savings to give you more spending power in the future, your investments must return more than plan costs and inflation.

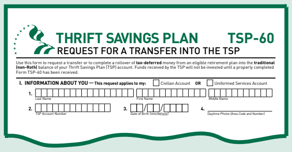
When Congress created the TSP in 1986, it mandated investment policies that provide for prudent investments suitable for accumulating income for retirement at low administrative cost (5 USC § 8475). Twenty-six years later, with its remarkably low costs, your Thrift Savings Plan has more than fulfilled this mandate.

Do you know what you pay to save? If you're like many people, you probably have never focused on fees and expenses in your retirement savings because there's no evidence of them on your account statements. They're generally taken off the top of share prices and investment returns, and are invisible to you. At the TSP, we have always reported annual expenses on the website to participants as a percentage of the total assets in the plan. Now, we are bringing this information directly to you on your annual participant statement. For 2012, the net expense ratio was .027%, which is just 27¢ for every $1,000 in your account. Such low fees are very rare in defined-contribution plans, where the average fee is $8.30/$1,000 account, and in 10% of plans, you'd pay more than $13.80.*

Long-term effect of paying less to invest? You save more — a lot more. Compare how $50,000 will grow over 30 years at various fee levels (and a 7% annual rate of return).



* Deloitte. "Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the 'All-In' Fee." Investment Company Institute, 2011.



You can pay less for your other retirement investments by consolidating them in your TSP account* as long as:

- you have an open TSP account (even if you have left Federal service), and
- the money you want to transfer is considered an "eligible rollover distribution" for Federal income tax purposes.

Eligibility depends on whether the money is tax-deferred (traditional) or after-tax (Roth).

Tax-deferred transfers are allowed from eligible employer plans, traditional IRAs, and SIMPLE IRAs. (Use Form TSP-60, Request for a Transfer Into the TSP.)

Roth transfers are allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s. (Use Form TSP-60-R, Request for a Roth Transfer Into the TSP.) **You cannot transfer money into the TSP from a Roth IRA.**

For transfer forms and to learn more about your eligibility, visit www.tsp.gov.

* Beneficiary participants are not eligible to transfer money into their TSP accounts.

Check out the new TSP YouTube channel, **TSP4gov**.

$14 or 27¢? Because the TSP and similar defined contribution plans have differing fee structures, you can't directly make a dollar-for-dollar comparison, but the bottom line is that you are paying a lot less and therefore saving a lot more with the TSP. In the previous example, if you paid a TSP-like fee of only 27¢ per $1,000 to invest, you'd have $120,000 more in 30 years. It seems like an easy choice. But many in the pension industry argue that higher fees are the price you have to pay for actively managed investment funds, which are expected to yield higher returns than passively managed index funds (like the TSP's funds). Others suggest that the opposite is true—that higher fees often come with diminishing prospects for beating the markets, and you, the investor, pay more for less. Fortunately, fee disclosure reports now make it possible for investors to see if they're getting what they paid for.

The TSP can help you save more. If you've worked for a number of employers throughout your career, you're probably juggling several retirement plans, and maybe an IRA or two, and none are likely to offer fees as low as the TSP. You can consolidate all your retirement savings in the TSP — as long as the amounts in your other accounts are eligible (and you are not a beneficiary participant). (See how on the reverse.) This can simplify the management of your retirement savings, help you plan for retirement in your working years, and provide a low-cost home for your retirement savings throughout your lifetime.

Yes, the TSP is a plan for life. You may have gotten the impression from financial service companies that you have to move your money out of the TSP when you leave Federal service. This is not true. You should be very careful before you remove your money from your TSP account because that choice is not reversible. Financial service companies are in the profit-making business and would like to get their hands on a share of your savings, which could mean much higher costs for you. The TSP, on the other hand, is not in the business of turning a profit. The TSP is run **by** Federal employees **for** Federal employees, and its simple objective is to help you save — and pay — for retirement at the lowest possible cost to you. You can leave your account invested in the TSP as long as you want, and receive monthly payments from it throughout your retirement years.

Rates of Return

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2012										
Jan	4.87%	4.34%	3.77%	3.03%	1.18%	0.13%	0.88%	4.50%	7.59%	5.36%
Feb	3.99	3.54	3.10	2.53	0.98	0.12	0.05	4.34	3.99	5.14
Mar	1.86	1.68	1.49	1.23	0.54	0.14	– 0.61	3.30	2.30	0.13
Apr	– 0.78	– 0.63	– 0.52	– 0.38	0.01	0.15	1.12	– 0.62	– 0.71	– 1.87
May	– 6.85	– 6.00	– 5.23	– 4.20	– 1.38	0.14	0.91	– 5.99	– 6.91	– 11.40
June	4.27	3.77	3.32	2.72	1.04	0.11	0.05	4.13	3.25	7.08
July	0.78	0.75	0.71	0.63	0.37	0.12	1.38	1.40	– 0.62	0.56
Aug	2.51	2.23	1.94	1.57	0.63	0.11	0.07	2.25	3.57	3.29
Sep	2.38	2.12	1.87	1.52	0.62	0.10	0.15	2.57	2.51	2.96
Oct	– 0.80	– 0.71	– 0.60	– 0.45	– 0.11	0.12	0.20	– 1.86	– 1.31	0.85
Nov	1.19	1.06	0.93	0.77	0.34	0.11	0.16	0.57	1.53	2.41
Dec	1.93	1.69	1.48	1.19	0.47	0.12	– 0.13	0.91	2.69	4.02
Annual 2003 – 2012										
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
2011	–	– 0.96	– 0.31	0.41	2.23	2.45	7.89	2.11	– 3.38	– 11.81
2012	15.85	14.27	12.61	10.42	4.77	1.47	4.29	16.07	18.57	18.62

The returns for the TSP funds represent net earnings after deduction of administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and 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 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

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