

Removing the Mystery from the TSP Core Funds

Some mysteries are entertaining, but playing detective when it comes to your investments can be stressful. That's why the TSP's strength is its simplicity. We offer 5 core funds you can mix and match, and 5 Lifecycle (L) Funds (L 2050, L 2040, L 2030, L 2020, and L Income) that are professionally designed based on when you'll need your money.

C FUND Common Stock Index Investment Fund	S FUND Small Capitalization Stock Index Investment Fund	I FUND International Stock Index Investment Fund	F FUND Fixed Income Index Investment Fund	G FUND Government Securities Investment Fund
<p>What It Is: A fund containing stocks of large and medium-sized U.S. companies</p> <p>Benchmark Index: Standard & Poor's 500 Stock Index</p> <p>PROS: Potential for high investment returns over the long term</p> <p>RISKS: Can be volatile depending on stock market performance</p>	<p>What It Is: A fund containing stocks of small to medium-sized U.S. companies</p> <p>Benchmark Index: Dow Jones U.S. Completion TSM Index</p> <p>PROS: Potential for high investment returns over the long term</p> <p>RISKS: Can be volatile depending on stock market performance</p>	<p>What It Is: A fund containing international stocks from more than 20 developed countries</p> <p>Benchmark Index: MSCI EAFE Stock Index</p> <p>PROS: Potential for high investment returns over the long term</p> <p>RISKS: Can be volatile depending on stock market performance. Returns also depend on the value of the U.S. dollar.</p>	<p>What It Is: A fund containing government, corporate, and asset-backed bonds</p> <p>Benchmark Index: Barclays Capital U.S. Aggregate Bond Index</p> <p>PROS: May earn returns that are higher than money market funds over the long term with relatively low risk</p> <p>RISKS: Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns.</p>	<p>What It Is: A fund containing government securities that are specially issued to the TSP</p> <p>PROS: Does not lose money; has a consistent but relatively low investment return</p> <p>RISKS: Your money may not grow enough to meet your retirement needs or outpace inflation.</p>

While our Lifecycle funds are a great option if you want investment strategy without the stress, this article will focus on our core funds.

Investigate Your Investments

With our 5 core funds (C, S, I, F, and G), you can invest in everything from short-term government securities to domestic and international stocks. Our core funds are designed to match the performance of certain benchmark indexes,¹ and for the past 10 years, thanks to our low fees and expenses,² our funds have outperformed these benchmarks.

Learn more about each core fund in the chart at the top of the page.

Follow Your Leads

If you want to select your own personal mix of our core funds, here are some questions to ask yourself.

How Much Time Do I Have Until Retirement? The amount of risk you can sustain depends on the future date at which you plan to start withdrawing your money. The longer you have until you plan on needing your money, the more risk you might be able to handle.

What is My Required Rate of Return?

Your required rate of return is the percentage you need to earn from your investments each year in order to reach

your retirement goals. Determining your required rate of return can be a challenge because you have to think about your ability to take risk, reflect on when you need the money from your TSP account, and consider prevailing market conditions. Visit tsp.gov and use our "How Much Will My Savings Grow?" calculator to see how different rates of return could impact the future value of your TSP account.

What Kind of Retirement Do I Want to Have? Think about the kind of life you expect to have in retirement, how long you expect to be in retirement, and what

¹ Most of our core funds have a benchmark that they track. For example: Our C Fund, which contains stocks of large and medium-sized U.S. companies, aims to match the performance of the Standard & Poor's 500 Stock Index.

² See the "Rates of Return and Expenses" chart on the reverse page of this issue for more information.

your income needs might be. Start by estimating a percentage of your current annual income that you think might sustain you in your retirement years. Then determine the extent to which you expect to rely on your TSP account for that income.

Remember: If you don't feel comfortable choosing how to invest in the core funds, consider our Lifecycle (L) Funds. They're professionally designed based on your target retirement date.

Crack Your Investment Case

Do you want to change the funds that you're invested in?

1) Log into My Account at tsp.gov. If you've forgotten your password, you may call our ThriftLine at 1-877-968-3778 and choose option 3 to reset it.

2) To change the way *new* money coming into your account is invested, choose "Contribution Allocations" from the Online Transactions menu on the left side of the screen.

3) To change the way money that is *already* in your account is invested, choose "Interfund Transfers" from the Online Transactions menu.

4) You can also call the ThriftLine to complete these transactions.

Visit the "Investment Funds" section of tsp.gov to learn more about the TSP funds. You can also watch our series of informational videos about our funds, "Your TSP Investment Options," at youtube.com/tsp4gov.

Why Are There Limits on Interfund Transfers?

An interfund transfer (IFT) allows you to redistribute the money you already have in your TSP account among our funds. You're allowed unlimited transfers to the G Fund as a safe haven, but for all other IFT requests, you can make up to 2 per month. Why?

One of the best qualities of the TSP is its extraordinarily low cost to you. Allowing unlimited transfers has been shown to increase our expenses, resulting in your keeping less of what you save. Plus, since there's a time lapse between your IFT request and its going into effect—requests made after noon Eastern time are generally processed the next business day—efforts to "time the market" may not have the desired results.

Rates of Return and Expenses

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Rates of Return										
Year-to-Date	- 4.86%	- 4.21%	- 3.58%	- 2.55%	- 0.91%	0.19%	1.49%	- 4.96%	- 8.72%	- 5.62%
1-Year	- 3.29	- 2.52	- 1.76	- 0.66	1.01	2.06	0.28	- 0.59	- 9.72	- 7.21
3-Year	7.03	6.65	6.13	5.40	3.48	2.10	2.62	11.38	7.31	1.32
5-Year	7.41	7.03	6.47	5.66	3.58	2.02	3.85	10.97	8.38	2.11
2015 Administrative Expenses										
Gross	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%	.043%
Net¹	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.029%
Other Expenses²										
	.013%	.012%	.010%	.007%	.003%	.000%	.016%	.004%	.038%	.015%

The returns for the TSP funds represent net earnings after the 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 as of January 31, 2016. Additional information about the TSP funds; their related indexes; and their respective monthly, annual, and 10-year returns can be found in the TSP Fund Information sheets and by visiting "Fund Performance" at tsp.gov.

With the exception of L 2050, the Lifecycle Funds, which are invested in the individual TSP funds—G, F, C, S, and I³—were implemented on August 1, 2005. Therefore, their first annual returns are for 2006. Since L 2050 was implemented on January 31, 2011, its first annual returns are for 2012.

¹ Net administrative expenses are the expenses charged to TSP participants per dollar invested in the respective funds after offsetting gross administrative expenses with account forfeitures and loan fees.

² Fees associated with securities lending are not included in 2015 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the funds.

³ The Government Securities Investment (G) Fund contains government securities; the Fixed Income Index Investment (F) Fund contains government, corporate, and asset-backed bonds; the Common Stock Index Investment (C) Fund contains stocks of large and medium-sized U.S. companies; the Small Capitalization Stock Index Investment (S) Fund contains stocks of small to medium-sized U.S. companies; and the International Stock Index Investment (I) Fund contains stocks from more than 20 developed countries.

