

# Your Shares in the TSP Funds

## ***What is a “share”?***

A share is a unit of ownership in a company or fund. As a TSP participant, you own shares in the funds in which you are invested.

The balances for each fund in your account are stated in shares as well as in dollar amounts. Each TSP fund has a different share price.

## ***How are daily share prices determined?***

Each TSP fund is valued at the end of every business day and, as a result, has a new daily share price. The new price reflects the change (from the previous business day) in the value of the assets held by the fund minus the fund's share of the TSP's daily administrative expenses. The new share price is determined by dividing the fund's new value by the total number of outstanding shares in the fund.

Unlike the F, C, S, I, and L Funds, the G Fund is not affected by daily market volatility. Instead, it earns daily interest. A new interest rate is determined at the beginning of each month by the U.S. Treasury.

## ***When do share prices change?***

Share prices are updated each business day at approximately 7:00 p.m., Eastern time.

## ***Does the TSP use the new share prices for my daily transactions?***

Yes. Once the new daily share prices for each fund are established, they are applied to your account. Any transactions in your account on that day (that is, contributions, interfund transfers, loan disbursements and payments, withdrawals) are processed using the new share prices. (Your transactions must be submitted and accepted before 12:00 noon, Eastern time in order to be processed that night using that day's new share prices.)

## ***Are the earnings for the TSP funds I'm invested in used to purchase additional shares in those funds?***

No. Because the increase or decrease in the value of a fund (that is, earnings) is reflected in the share price, earnings are not reported separately or used to purchase additional shares. An increase or decrease in the value of a fund does not affect the number of shares you own — just their value.

## ***How can I track the number of shares in my account?***

The number of shares in your account is shown on your quarterly and annual participant statements (and on your Account Balance screen on the TSP website). It is expressed to four decimal places (for example, 131.2978), using standard rounding rules.

## ***How does my contribution purchase shares in a TSP fund?***

Shares in the TSP funds are purchased by source for all participants.

For CSRS participants and members of the uniformed services, the calculation is rather simple. The TSP record keeping system divides your traditional (non-Roth) contribution and your Roth contribution (if applicable) on the day of posting by the applicable share price for that day *for each TSP fund that you purchase*.

For example, let's say you are a CSRS participant and the portion of your contribution you elected to invest in the S Fund equals \$256.70. If the share price for the S Fund is \$11.2725 on the day that your payroll contribution is posted, the number of S Fund shares the TSP will purchase for you will be 22.7722 (\$256.70 divided by \$11.2725 = 22.77223, rounded to 22.7722).



## Fact Sheet

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If you are a FERS participant, the process used to calculate the number of shares purchased by your contributions is more involved because your contributions are broken down by traditional (non-Roth) employee contributions, the Roth employee contributions, the Agency Automatic (1%) Contribution, and the Agency Matching Contribution. Again, the TSP purchases shares for each source separately. Therefore, *for each fund in which you are invested*, the contribution amount from each source gets divided by the daily share price. Because of rounding rules, when the shares purchased from all sources are added together, you could end up with slightly more or slightly fewer shares than if you had simply divided your total overall contribution by the fund's share price.

### Example:

Contribution Source	Amount	Share Price	Number of Shares Purchased Before Rounding	Number of Shares Purchased After Rounding
Employee Traditional (non-Roth):	\$147.25	÷ \$14.2803	= 10.31141	10.3114
Employee Roth:	147.25	÷ 14.2803	= 10.31141	10.3114
Agency Automatic (1%):	58.90	÷ 14.2803	= 4.12456	4.1246
Agency Matching:	<u>235.60</u>	÷ 14.2803	= 16.49825	<u>16.4983</u>
Total:	\$589.00			<b>41.2457</b>

In the previous example, a FERS participant's contribution to the C Fund is calculated by source. The sum of the rounded shares purchased through all sources is **41.2457**. This represents a difference of .0001 from the result you would get by simply dividing the participant's total overall contribution (\$589.00) by the share price (14.2803) to arrive at **41.2456** ( $\$589.00 \div \$14.2803 = 41.24563$  shares, rounded to 41.2456 shares). **Note:** If you are a CSRS employee or a member of the uniformed services and you have employee contributions to a traditional (non-Roth) balance and a Roth balance, you may also be affected by the rounding rules.

### What is dollar-cost averaging?

Dollar-cost averaging is a system of purchasing shares at regular intervals with a fixed dollar amount. The number of shares may change with each purchase, based on the share price at the time of purchase. The fixed dollar amount buys more shares when the share price is low and fewer shares when the share price is high. If you are investing regularly in the TSP funds through payroll deductions, you are already dollar-cost averaging.

### How does dollar-cost averaging benefit me?

The example below illustrates how dollar-cost averaging benefits you.

Contribution	Investment Amount	Share Price	Shares Purchased
1	\$200	\$50	4
2	\$200	\$40	5
3	\$200	\$20	10
4	<u>\$200</u>	<u>\$40</u>	<u>5</u>
<b>Totals</b>	\$800	\$150	24

- Average share price of the four contributions:  $\$150 \div 4 = \mathbf{\$37.50}$
- Participant's cost per share:  $\$800 \div 24 = \mathbf{\$33.33}$

In this example, you made regular contributions of \$200. Since there was a different share price each time you made a contribution, you received a different number of shares for each \$200 contribution you made. With your four contributions, you invested a total of \$800 and purchased a total of 24 shares. Your average share price (that is, the sum of the four share prices divided by the number of contributions, or  $\$150 \div 4$ ) was **\$37.50**. However, because of dollar-cost averaging, your cost per share was only **\$33.33** — the sum of your contributions divided by the number of shares you purchased ( $\$800 \div 24$ ).