



HIGHLIGHTS

April 2014

Designating Your Beneficiaries

Remember that a will, prenuptial agreement, or any other document is not valid for the disposition of your TSP account. So upon your death, the money in your account will be distributed according to a statutory order of precedence, which you can read in the Plan Participation section of the TSP website. If you don't want to leave your money according to the statutory order of precedence, then you'll need to complete Form TSP-3, Designation of Beneficiary, and submit it directly to the TSP.

All It Takes Is One

Did you know that each TSP Lifecycle (L) fund is its own diversified portfolio? The L Funds (a mix of the G, F, C, S, and I Funds) are tailored to your target retirement date and grow more conservative over time. Investing in an L Fund is an easy way to diversify your investments. To invest in the L Fund of your choice, use your TSP account number or user ID and your Web password to access the My Account section of our website, tsp.gov. You can also call the ThriftLine.



More Than You Bargained For: The Potential Costs of a TSP Loan

Are you thinking of taking a loan from your TSP account? If so, be aware that taking a TSP loan might cost a lot more than you think. This article will explain the basics of the TSP loan program, as well as some of the less obvious costs.

How does a TSP loan work? When you take a loan from your TSP account, you are borrowing from your own contributions and the earnings on those contributions. (You can't borrow from agency or service contributions or their earnings.) When your loan is disbursed, the amount of the loan is removed from your account. As you repay your loan, your loan repayments return the money plus interest to your TSP account. The interest rate is the interest rate for the G Fund at the time your loan application is processed.

A TSP loan might really cost you. Keep reading to find out how.

What are the costs of taking a loan? You may not have realized that:

- When you borrow from your TSP account, you miss out on the earnings that otherwise could have accrued on your borrowed money. While it's true that you'll be paying yourself back with interest, that interest will come from your own hard-earned pay rather than from investment performance. And if the interest on your TSP loan payments turns out to be less than what your money could have earned in the TSP investment funds, you'll have less money saved even after the loan is repaid. **This could cost you hundreds or thousands of dollars in retirement income, especially if your repayments stretch over a long period of time.**
- If you have an outstanding loan when you leave Federal service, you must pay it back within 90 days or the outstanding balance will be treated as taxable income.
- The TSP charges a loan fee of \$50 for administrative expenses and deducts the fee from your loan proceeds. For example, if you request a loan for \$2,000, the amount paid to you will be \$1,950.
- If you fail to repay your loan in accordance with your Loan Agreement (or your most recent reamortization*), or you do not repay your loan when you separate from

* Reamortization allows you to adjust the terms of your loan to change the loan payment amount or to shorten or lengthen the loan term. You may do so as long as you do not exceed the maximum term limit for your loan type.

TSP Website:
tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400
TDD: 1-TSP-THRIFT5 (1-877-847-4385)

YouTube: [TSP4gov](https://www.youtube.com/TSP4gov)
Twitter: [@tsp4gov](https://twitter.com/tsp4gov)

service, the TSP must report a taxable distribution to the IRS. This means that your loan will be closed and you **will owe income taxes** on the taxable amount of the remaining balance of the loan, plus any accrued interest. If you are younger than 59½, you may also be subject to an early withdrawal penalty tax.

Want to learn more? For a detailed explanation of the TSP loan program, your obligations if you take a loan, and the consequences of not repaying a loan, read the TSP booklet *Loans*. To estimate loan payments based on specific terms, visit the TSP's loan calculator under Planning & Tools on the TSP website, tsp.gov. For information about outstanding loans, you can check your leave and earnings statement, your TSP participant statements, the TSP website, or contact the ThriftLine. 

TSP Loan Costs

- **\$50 fee**
- **Missed growth**
- **Possible taxes**

Rates of Return and Administrative Expenses										
	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2014										
Jan	-2.71%	-2.35%	-2.04%	-1.57%	-0.42%	0.21%	1.58%	-3.45%	-1.91%	-4.03%
Feb	4.44	3.94	3.44	2.73	1.15	0.18	0.62	4.58	5.43	5.58
Annual 2004–2013										
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
2013	26.20	23.23	20.16	16.03	6.97	1.89	-1.68	32.45	38.35	22.13
2013 Administrative Expenses										
Gross	.047%	.046%	.046%	.045%	.045%	.044%	.056%	.046%	.044%	.046%
Net**	.029%	.029%	.029%	.028%	.028%	.027%	.039%	.029%	.026%	.029%

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. 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.

With the exception of L 2050, the Lifecycle funds, which are invested in the individual TSP funds — G, F, C, S, and I* — 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.

* 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.

** 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.