



HIGHLIGHTS

July 2014

There's No "Fun" in Fund Overlap

Have you ever heard of "fund overlap"? That's when two or more investment funds have identical securities (stocks, bonds, etc.) or basic investment strategies. Some plans offer complicated investment options that can overlap. This can reduce your diversification or expose you to more risk by having too much of your money invested in one part of the market.

Made for Each Other

The five funds that make up the TSP core investment lineup (G, F, C, S, and I) have been carefully chosen for the way they fit together. Each fund represents a distinct type of financial asset, and together they provide all the major building blocks for a diversified portfolio. Once you've determined the right balance of risk versus return, you can confidently blend the G, F, C, S, and I Funds without fear of fund overlap.

Unsure of Which TSP Funds to Choose?

The TSP Lifecycle (L) Funds—L 2050, L 2040, L 2030, L 2020, and L Income—are professionally designed to balance the expected risk and return associated with each of the five funds. Just choose the one most closely associated with the year you plan to begin receiving payments from your TSP account.



Retirement Income Should Be the Outcome

When you think about retirement, what picture comes to mind? Is it a vision of you cruising the Pacific coast in your convertible? Or do you see yourself driving to the office because you can't afford to leave the workforce? Fact: Many workers are not saving enough to maintain their lifestyle in retirement, and many more may find themselves surprised when their money starts to run out. To create the retirement you envision, look at your TSP account balance as a source of retirement income—a retirement paycheck—instead of simply a dollar amount. Here's why:

- **You want to stop working one day.** If you don't want to work forever, you are going to have to think about how much income you will need to live. Don't assume that your expenses will go down when you leave the workforce because that may not be the case. And, while you may think you'll be able to continue to work if you can't make ends meet, you could find yourself in a situation that prevents you from working. Check out the Retirement Income Calculator in the Planning & Tools section of the TSP website. It can estimate a monthly retirement amount based on your current savings strategy. You'll see right away if you are on track to have sufficient TSP income in retirement. If the amount is lower than you expected, you may have to look at ways to step up your savings during your working years so that you can enjoy the retirement you envision.

Think: Work because you want to, not because you have to.

- **You want a comfortable retirement.** Retirement isn't free. Travel, hobbies, living expenses, healthcare costs, and unforeseen emergencies such as home repairs, can chip away at your retirement savings. The widely accepted industry guideline is that you'll need 80% of your pre-retirement income to live comfortably. In 2013, the TSP conducted a participant survey and discovered that 70% of respondents did not have a specific retirement savings goal in mind. Do you? Having an idea of what you want your retirement lifestyle to be allows you to plan how you will be able to afford comfortable living.

Think: Preparation equals comfort.

- **People live longer than they used to.** The possibility of outliving retirement savings is probably the biggest risk retirees face. More and more people are living into their 80s—even 90s! If you retire at the average age of 65, you could spend the next 20

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years or more without a paycheck. There are several strategies to follow that help you make your money last longer:

- ✓ Work longer if you can, even if it's part-time, to help boost your savings;
- ✓ Don't invest your money too conservatively in your early saving years;
- ✓ Use the TSP's calculators to help you figure out if you're on the right track; and
- ✓ Don't just wing it; consult a financial planner if necessary.

Think: Don't run out of money before you run out of life.

Take a look at the "Will you be ready for retirement?" section of your annual statement. There, you'll find the monthly estimated income you could expect to receive in retirement based on the account balance shown. It will let you know how close you are to bringing your retirement picture to life. 

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
Mar	0.09	0.12	0.14	0.17	0.19	0.19	-0.15	0.85	-0.69	-0.57
Apr	0.32	0.32	0.37	0.39	0.31	0.20	0.90	0.75	-2.47	1.51
May	1.78	1.63	1.46	1.20	0.64	0.20	1.21	2.35	1.52	1.72
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; and 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.