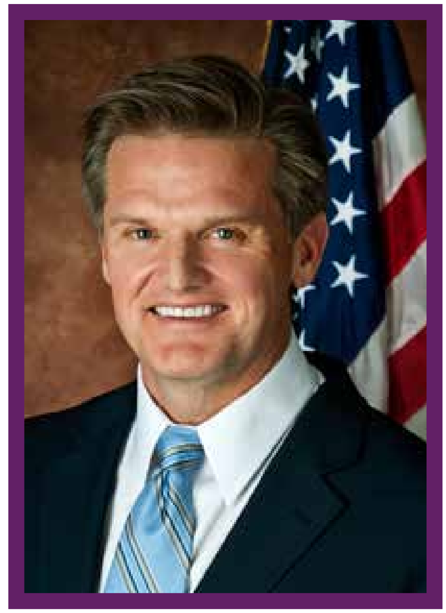
THRIFT SAVINGS PLAN
HIGHLIGHTS
Your Plan ★ Your Future
JANUARY/FEBRUARY 2016

A Message from the Executive Director



Greg Long, Executive Director

Dear TSP Participant,

At the TSP, we work every day to help you plan, pursue, and preserve the retirement that's right for you. But there are several myths about the TSP out there, and it can be hard to tell fact from fiction. As you think about your savings and investment goals for 2016, I want to share the truth behind some common misconceptions.

MYTH Once I leave federal service, I have to leave the TSP.

This just isn't true: When you leave federal service, you can leave your account right where it is. If you do, you'll keep more of what you save thanks to the TSP's low costs. You can manage your investments and transfer other eligible money into your account. Even when it's time to take withdrawals,[1] you won't have to take your entire account at once; you'll have options like choosing monthly payments.

The TSP operates solely in your interest. Not all financial institutions and advisers do. I've personally received letters from former participants who deeply regret leaving the TSP. One participant wrote that rolling her money into an IRA was "probably one of the single worst financial actions" she'd ever taken.

If another plan is trying to convince you to move your money, dig deeper. It's your decision to stay with the TSP or not, but you might find that the incentives other plans offer aren't worth the fees you'll pay. Learn more about how it can pay to stay at **tsp.gov/stay**.

MYTH I don't need to set a goal until I get closer to retirement.

Making a plan early and sticking to it is essential to securing a comfortable retirement. In a recent survey,[2] 70% of actively employed TSP participants said they did not have a specific retirement goal in mind. This was especially true for younger groups. Though identifying a ballpark number may seem overwhelming, it's an important piece of the retirement puzzle. But where to start?

First, ask yourself some questions: When you reach retirement age, will big expenses such as your mortgage or your children's college tuition be paid for? Will you have long-term care costs? What income can you expect from Social Security, a federal annuity, or a military pension?

Another helpful exercise is to think about your "replacement rate." That's the percentage of your pre-retirement income you'll need when no longer working. Most experts believe that, altogether, you'll need about 70%-80%.[3] Use our **"How Much Will My Savings Grow?"** and **"Retirement Income"** calculators at tsp.gov to see how much of that amount your TSP account would provide.

[1] Once separated from service, the IRS requires you to start withdrawing your money by April 1 of the year following the year you turn age 70½.

[2] Aon Hewitt & Thrift Savings Plan. "2013 Thrift Savings Plan Survey Results." *Thrift Savings Plan,* 2013

[3] Isaacs, Katelin. "Federal Employees' Retirement System: Benefits and Financing." *Congressional Research Service,* 2015

Now that you know how much might be enough, how do you get there? Time is your biggest ally when it comes to saving for retirement, so save now and save steadily. Think about increasing your contributions each time you receive a pay raise. Depending on your investment earnings, raising your savings rate by as little as 1% of your pay could mean tens of thousands of dollars over time.

MYTH When the market goes down, I should shift my money to a safer investment.

Once you've established your retirement goals and a savings strategy that fits your needs, you'll likely have the best results if you stick to your plan. Significant movements can occur rapidly in the stock and bond markets. By the time you react to the situation, the market may be moving in the opposite direction and you could miss out on significant gains.

Experts designed our Lifecycle (L) Funds to maximize gains and minimize losses based on when you'll need your money. They provide a mix of our five core funds (G, F, C, S, and I) and grow more conservative over time, and they automatically rebalance every day. To find the L Fund that's designed for you, pick the one that most closely matches the year you'll need your money. For example, our L 2030 Fund is designed for those who'll retire in about 15 years and need their savings around 2030.

Thanks to plan enhancements, you can now

- call the **ThriftLine** (1-877-968-3778, option 3) to reset your password,
- log into **My Account** to add up to two email addresses and one phone number to your TSP account profile, and
- follow the TSP on Twitter **@tsp4gov**.

If you'd like to change the funds you invest in, log into My Account at tsp.gov and visit "Online Transactions" on the left. To change the way **new** money coming into your account is invested, choose "Contribution Allocations." For money that is **already** in your account, choose "Interfund Transfers." You can also call the ThriftLine at 1-877-968-3778 and choose option 3.

There are other persistent myths circulating about the TSP, but I hope this note sheds light on some of the major ones. Remember—while the path to retirement is not always a clear one, our goal is to make sure you have the facts to help you get there.

Sincerely,

Greg Long
Executive Director

Expenses by Fund[1]

	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
2014[2] Administrative Expenses										
Gross	.042%	.042%	.042%	.042%	.042%	.042%	.042%	.042%	.042%	.042%
Net[3]	.029%	.029%	.029%	.029%	.029%	.029%	.029%	.028%	.029%	.029%
Other Expenses[4]										
	.010%	.009%	.008%	.006%	.003%	.000%	.017%	.003%	.020%	.017%

[1] 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. For each fund, 1-, 3-, and 5-year rates of return are available on your annual statement.

[2] The 2015 administrative expenses will be available in the April 2016 issue of *Highlights*.

[3] 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.

[4] Fees associated with securities lending are not included in 2014 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.

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