



THRIFT SAVINGS PLAN

# HIGHLIGHTS

Your Plan ★ Your Future

April 2017

## Do You Know How Much is Enough?

You probably know *how* you want to spend your retirement. But *how much* will you need to spend when you get there? We'd like to offer a few things to consider as you determine how much you might need to save for a comfortable retirement, and some strategies for how to get there.

### Set a Goal

Planning for your retirement can be a challenge, but a good place to start is by determining your “replacement rate.” That’s the percentage of your pre-retirement income you’ll need when you’re no longer working. Most experts say that you’ll need to replace about 70%–85%<sup>1</sup> of your current income. For example, if you make \$75,000 a year, you’ll likely need to replace \$52,500–\$63,750 annually in retirement.

### Interview Yourself

Ask yourself the following questions to get a general sense of what your financial needs might be in retirement:

- ✓ When I reach retirement age, will big expenses like my mortgage or my children’s college tuition be paid for?
- ✓ Will I have long-term care costs?
- ✓ How long do I expect to live in retirement?

- ✓ How might inflation affect my savings?
- ✓ How might taxes affect my savings?

### Assess Your Income Sources

After you’ve determined your replacement rate and have an idea of what your financial needs might be in retirement, consider your current and future income sources, such as your TSP account, Social Security benefits, and your Basic Pension.

#### Your TSP Account

**Current:** Log into My Account at [tsp.gov](http://tsp.gov) to see your most up-to-date TSP balance. While you’re there, check Page 1 of your most recent annual statement in the “Statements” section and review the “Will you be ready for retirement?” estimate. This estimate shows you how much money your TSP balance would provide you on a monthly basis throughout your retirement.

**Future:** Visit the “Calculators” section of [tsp.gov](http://tsp.gov) and use our “How Much Will My Savings Grow?” calculator to estimate the growth of your TSP account.

#### Your Social Security

**Current:** Register for “my Social Security” at [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/) to review your



most current earnings record and have access to other useful information about your Social Security benefits.

**Future:** You can view your most current estimated Social Security benefit at full retirement (age 67) by logging into “my Social Security” at [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/).

#### Your Basic Pension

**Current:** If you’re a FERS employee, after you retire, you’ll receive a pension based on your salary and how long you worked for the federal government. Visit [www.opm.gov](http://www.opm.gov) to learn more about how this benefit is calculated.

**Future:** The Federal Ballpark E\$timate® calculates a projected summary of your Basic Pension, TSP account balance, Social Security benefit, and other financial sources that you input. To see your summary, visit [www.choosetosave.org/ballpark/](http://www.choosetosave.org/ballpark/).

TSP Website: [tsp.gov](http://tsp.gov)  
ThriftLine: 1-877-968-3778  
Outside the U.S. and Canada: 404-233-4400  
TDD: 1-877-847-4385

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[youtube.com/tsp4gov](https://youtube.com/tsp4gov)

<sup>1</sup> U.S. Government Accountability Office (GAO), *Retirement Security: Better Information on Income Replacement Rates Needed to Help Workers Plan for Retirement*. GAO-16-242. Washington, D.C.: March, 2016.

**Other Sources:** Don't forget to include IRAs, your military pension, retirement plans from previous employers, and other personal investments when calculating how much you currently have saved.

## Review and Revise

Now that you have an idea of how much you'll have in retirement, ask yourself if that amount equals 70%–85% of your current income. If so, then you're on the right track. If not, determine the amount of additional savings you'll need in order to make up the difference. Below are some strategies you might want to use to bridge the gap:

- If you're a FERS employee, consider contributing at least 5% of your salary so that you receive your agency's full 5% match.

- Think about increasing your TSP 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.
- Age 50 or over and already contributing the maximum amount allowed? Consider making "catch-up" contributions. In 2017, you can contribute up to \$6,000 more than the Internal Revenue Code's annual elective deferral limit, which is \$18,000.

## Stay the Course

Remember that investing for retirement is for the long term. Try not to let short-term market movements steer you off

## April is Financial Literacy Month!

To receive retirement savings tips throughout the month, be sure to like us on Facebook at [tsp4gov](https://www.facebook.com/tsp4gov), and follow us on Twitter @tsp4gov.

course. Once you've made your plan, stick to it and only make adjustments after careful consideration.

Visit the "Planning & Tools" section of [tsp.gov](https://www.tsp.gov) to learn more about saving for the retirement that you've always wanted.

## 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
<b>Rates of Return as of January 31, 2017</b>										
<b>Year-to-Date</b>	1.91%	1.70%	1.48%	1.04%	0.61%	0.20%	0.23%	1.90%	2.16%	2.89%
<b>1-Year</b>	16.38	14.57	12.69	9.36	5.17	1.83	1.64	20.09	30.22	11.31
<b>3-Year</b>	6.73	6.34	5.82	4.86	3.42	2.05	3.03	10.92	8.24	1.05
<b>5-Year</b>	10.52	9.64	8.65	7.13	4.06	1.92	2.46	14.15	13.66	6.37
<b>2016 Administrative Expenses</b>										
<b>Gross</b>	.052%	.052%	.052%	.052%	.052%	.052%	.052%	.052%	.051%	.053%
<b>Net<sup>1</sup></b>	.038%	.038%	.038%	.038%	.038%	.038%	.038%	.038%	.038%	.039%
<b>Other Expenses<sup>2</sup></b>										
	.012%	.011%	.009%	.007%	.003%	.000%	.017%	.004%	.041%	.014%

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, 2017. (For more recent returns, visit "Fund Performance" at [tsp.gov](https://www.tsp.gov).) 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 or by visiting "Fund Performance" at [tsp.gov](https://www.tsp.gov).

**Additional information about the TSP core funds:** 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.

<sup>1</sup> 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.

<sup>2</sup> Fees associated with securities lending are not included in 2016 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.