



Thrift Savings Plan HIGHLIGHTS

July 2008

Customized IDs are here!

You can now create a customized ID to use instead of your TSP account number when logging into the TSP Web site. (It will not work on the ThriftLine.) Check the TSP Web site for more information.

PC Security Quiz

The more "yes" answers you can give below, the more secure your PC!

Have you updated the security software on your PC within the past week?

Are your passwords for financial sites different from the ones you use for e-mail or other web sites?

Do you use a secure "password vault" application to protect and store all of your passwords?

Do you think twice before clicking on a link in an e-mail?

Do you regularly apply patches for applications such as Microsoft Office or Adobe Reader?

Do you back up your sensitive or irreplaceable files?

Do you access your financial applications on a different computer from the one your kids use to surf the Internet or play online games?

Need help? Go to <http://onguardonline.gov> or www.us-cert.gov.



Look before you leap!

Have you seen or heard ads encouraging you to move the money in your TSP account to a private sector Individual Retirement Account (IRA)? How about similar suggestions at a financial planning seminar? Financial services companies have figured out that there are almost four million of you using the TSP to save for your retirement, and they're vying for the money in your accounts! They know that when you leave Federal service, you can transfer your account to a traditional or Roth IRA (as well as leave the money with the TSP or take one of the other withdrawal options). And, of course, they want you to think of them. That's the American way.

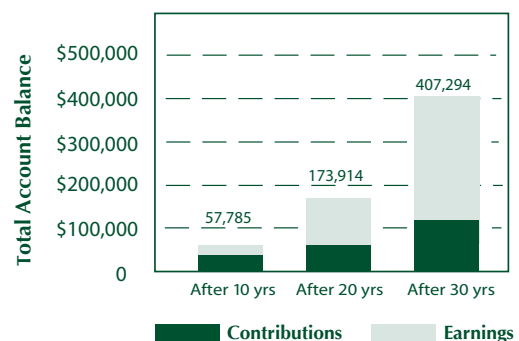
But before you make a move, think first. Remember, the TSP is not in the business of turning a profit. It was established with the sole objective of helping you save (and therefore pay) for your retirement. It's a simple, low-cost plan without a lot of frills — but then, do you need frills when you're investing?

Let's take a look at some of the enticements the financial services companies are offering. One theme is that there's such a thing as an "old" TSP account. The implication is that at some point your TSP account stops working for you. That's not the case at all. The longer you keep your TSP account, the more opportunity it has to grow — even when you're taking monthly payments, your account remains invested as you choose. Thanks to the miracle of compound earnings and extremely low administrative costs, your earnings potential remains strong. In fact, over time, your earnings should far exceed the money you contributed, as illustrated in the chart below. Plus, you can continue to manage the investments in your account based on your changing needs. So you have control over your account and can tailor its investments and, within limits, your withdrawal options to your needs.

Read the fine print

Another enticement is the "no fee or low fee" claim. Let's be realistic; private sector companies are in business to make a profit. And administrative costs can eat away at your retirement savings. So read the fine print. You'll probably find that there is some type of cost or costs. For example, there may be brokerage transaction fees, and your money might be subject to the underlying funds' portfolio management fees and expenses. These add up! On the other hand, the TSP has the lowest administrative costs of any plan of its kind — or mutual fund for that matter. For 2007, net administrative expenses for the TSP came to only .015%, or 15 cents per every \$1,000 in your account. An argument may be made that you can't compare the TSP's costs to a mutual fund's. But why not? Expenses directly impact a fund's performance, and you need to consider that impact if you're thinking about alternative investments.

Earnings Potential of Your TSP Account*



* Information in this chart assumes a salary of \$40,000, employee and agency contributions of 5% each, and a 7% rate of return.

TSP Web Site:
www.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)

Look before you leap! *(Continued from front)*

Most financial services companies offer a large selection of investment choices. And, for some people, this is a very attractive incentive. However, do you really want — or need — all of those funds? The TSP's fund lineup offers diversification and the advantages of passively-managed index funds. And the L Funds, like the targeted retirement funds in the private sector, are designed for participants who may not be comfortable making their own investment decisions.

Remember, too, that the TSP offers the unique financial safety of the G Fund. The G Fund offers the opportunity to earn rates of interest similar to those of long-term Government securities, without any risk of loss of principal.

Payouts are important too

Although not quite as prevalent, two other areas often come up for comparison — withdrawal options and beneficiary payments. First, remember that you don't need to start withdrawing your TSP account until you are separated from service **and** are age 70½. That gives you a lot of time to determine exactly how much you'll need from your account and which of the withdrawal options will fit your lifestyle. Both monthly payments and the TSP annuities provide for ongoing income streams. But, if you want a single payment or a transfer to an IRA, you can do that as well. And if you want to, you may be able to take a partial withdrawal to pay off your mortgage and bills (or buy the RV) while leaving the rest of your account invested with us. So, although you may

not be able to withdraw from your account whenever you want, you still have flexibility.

Lastly, nonspouse TSP beneficiaries can now spread the tax liability of their death benefit payments across their lifetimes by transferring them to an inherited IRA. Spouse beneficiaries have a similar option. So there's no need to transfer your account to an IRA to protect your nonspouse beneficiaries. Both your spouse and your nonspouse beneficiaries can benefit if you leave your money in your TSP account — without having to worry about the tax liability at the time of your death.

Make an informed decision

All in all, we believe the TSP is a good deal — not only while you're saving for retirement, but after you've left Federal service as well. In fact, last year participants transferred over \$444 million from other employer plans or traditional IRAs into the TSP. Their goals? To consolidate their retirement savings and simplify their investment strategies. Like the private sector, we encourage this approach — just in reverse!

Most people like to know that they have choices when they're making plans — and it's no different when those plans are for retirement. But don't decide on impulse. Get the facts, compare your options, and make your decisions based on your needs.

From our point of view, like a fine wine, your TSP account gets better with age. We want you to be able to enjoy it. 🍷

Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2008										
Jan	- 5.37%	- 4.71%	- 3.90%	- 2.07%	- 0.97%	0.33%	1.76%	- 5.98%	- 6.27%	- 8.52%
Feb	- 1.80	- 1.51	- 1.25	- 0.59	- 0.22	0.24	0.16	- 3.28	- 2.05	- 0.66
Mar	- 0.29	- 0.18	- 0.06	0.07	0.23	0.32	0.33	- 0.46	- 1.43	0.18
Apr	4.26	3.74	3.23	1.93	1.20	0.24	- 0.16	4.94	5.30	5.55
May	1.65	1.48	1.23	0.78	0.59	0.32	- 0.74	1.27	4.88	1.09
Annual 1998 – 2007										
1998	-	-	-	-	-	5.74%	8.70%	28.44%	-	-
1999	-	-	-	-	-	5.99	- 0.85	20.95	-	-
2000	-	-	-	-	-	6.42	11.67	- 9.14	-	-
2001	-	-	-	-	-	5.39	8.61	- 11.94	-	-
2002	-	-	-	-	-	5.00	10.27	- 22.05	- 18.14	- 15.98
2003	-	-	-	-	-	4.11	4.11	28.54	42.92	37.94
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	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43

The returns for the TSP Funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued 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 Web site.

The L Funds, which are invested in the individual TSP funds (G, F, C, S, and I), were implemented on August 1, 2005; therefore, the first annual returns are for 2006. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.