



# Thrift Savings Plan HIGHLIGHTS

April 2005

## Investing on Autopilot

Recent issues of the *TSP Highlights* reviewed a number of investment principles that can help you manage your TSP account. But when it comes to traveling toward your financial time horizon, only you can decide whether you want to be in control of choosing your asset allocations, or whether putting your investments on “autopilot” is more your speed.

### Being the Pilot

To manage your account successfully, you need a long-term investment strategy or plan of action, as well as the confidence to make your own decisions.

#### *If you manage your account yourself, you should:*

- Be familiar with the investment options available in the TSP;
- Understand the basic principles of investing (such as risk, return, asset allocation, and time horizon);
- Develop an investment strategy;
- Rebalance your account as needed, especially when large gains or losses take your strategy off course;
- Consider whether you need to change your allocation over time so that you assume less risk as you move closer to your time horizon; and
- Periodically review and adjust your investment strategy.

Don't ignore your TSP account just because it is a long-term investment. You should review and adjust your asset allocation as your life situation changes and as your time horizon shortens.

Each of these principles has been discussed in recent *TSP Highlights* articles. These are available on the TSP Web site at [www.tsp.gov](http://www.tsp.gov).

### Financial Turbulence

#### *Beware of:*

- Investing too conservatively.
- Investing only in a single fund.
- Investing in a combination of funds that is less than optimal.
- Chasing returns by investing in the funds that had the best return yesterday, last month, or last year.
- Never changing your initial investment allocation.
- Not rebalancing your account to your target allocation, even after prolonged periods of gain or loss.

In all of these cases, you may be assuming an inappropriate level of risk (too much or too little), or not getting the return that you need.

### Investing on Autopilot

Many TSP participants do not have the time, interest, or knowledge to manage their TSP investments, and would like an easier way to invest. Later this year, the TSP will offer you **Lifecycle Funds** that will set a course for you and allow you to relax and enjoy the ride.

Lifecycle Funds have asset allocations that change automatically over time, becoming less risky as your time horizon approaches. You will be able to choose, at no additional cost, a Lifecycle Fund with a time horizon that is appropriate for you. If you invest your entire TSP account in one of these funds, you won't need to choose (or periodically change) your asset allocation, or even rebalance your account; it will be done for you automatically.

But keep in mind that even with professional asset allocation, **the Lifecycle Funds are not risk-free**. Because they are invested in various combinations of the five existing TSP funds (of which only the G Fund is risk-free), it is possible to lose money.

The Lifecycle Funds are briefly described in a leaflet, “Tell us where you're going . . . ,” which is available in the Forms & Publications section of the TSP Web site. The TSP will provide you with more detailed information when the Lifecycle Funds become available. 📄

# TSP Bulletin Board

## No more waiting for open season!

Beginning July 1, you can stop, start, or change the amount of your TSP contributions at any time. Simply submit your contribution election to your payroll office. Form TSP-1 (for civilians) and Form TSP-U-1 (for members of the uniformed services) are available from your agency or service, or from the TSP Web site. (Some agencies and services require you to file your contribution elections electronically.) Your election will be effective no later than the first full pay period after your agency or service receives it.

## Catch-up Reminder

The 2005 IRS limit for catch-up contributions (for participants age 50 or older) is \$4,000. You must make a new catch-up election each calendar year.

## Update your phone book.

Beginning June 1, you can no longer reach the old Thrift-Line/TSP Service Office number (504-255-8777). Please call:

1-TSP-YOU-FRST  
1-877-968-3778 (toll-free)

Callers outside the United States and Canada  
404-233-4400 (not toll-free)

## PINs

**If you are a new participant**, you will receive your new PIN in the mail after the TSP receives your first contribution and establishes your account.

**If you have lost or forgotten your PIN** and you have requested a new one, please allow 10 days for your new PIN to arrive in the mail. We do not send PINs electronically.

**If you would like to change your existing PIN** to a PIN of your choice, you may do so in the Account Access section of the Web site or ThriftLine. Your new PIN will be effective immediately.

**Do not let others have access to your PIN.** The TSP is not responsible for any activity in your account that is transacted by someone who has access to your PIN.

## Do you have a TSP loan?

If you plan to send a personal check or money order to the TSP to make up for missed payments or to pay off your loan, make sure you send your payment, with a loan payment coupon, to our new check processing center: **Thrift Savings Plan, P.O. Box 9004, St. Louis, MO 63197-9004.** Coupons are available in the Forms & Publications section of the TSP Web site or from the TSP Service Office. Do not send correspondence or forms with your payment.

## Rates of Return

	G Fund	F Fund	LBA Bond Index	C Fund	S&P 500 Index	S Fund	DJW 4500 Index	I Fund	EAFE Index
<b>Monthly – 2005</b>									
January	0.4%	0.6%	0.6%	-2.4%	-2.4%	-3.4%	-3.4%	-1.9%	-1.9%
February	0.4	-0.6	-0.6	2.1	2.1	2.0	1.9	4.3	4.3
<b>Annual 1995 – 2004</b>									
1995	7.0	18.3%	18.5%	37.4%	37.6%	-	33.5%	-	11.3%
1996	6.8	3.7	3.6	22.8	23.0	-	17.2	-	6.1
1997	6.8	9.6	9.7	33.2	33.4	-	25.7	-	1.5
1998	5.7	8.7	8.7	28.4	28.6	-	8.6	-	20.1
1999	6.0	-0.8	-0.8	21.0	21.0	-	35.5	-	26.7
2000	6.4	11.7	11.6	-9.1	-9.1	-	-15.8	-	-14.2
2001	5.4	8.6	8.4	-11.9	-11.9	-2.2*	-9.3	-15.4*	-21.4
2002	5.0	10.3	10.3	-22.0	-22.1	-18.1	-17.8	-16.0	-15.9
2003	4.1	4.1	4.1	28.5	28.7	42.9	43.8	37.9	38.6
2004	4.3	4.3	4.3	10.8	10.9	18.0	18.1	20.0	20.2
<b>Compound Annual 1995 – 2004</b>									
	5.7	7.7	7.7	12.0	12.1	-	11.9	-	5.6

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

\* The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.