



Thrift Savings Plan HIGHLIGHTS

October 2006

L Fund Watch

As of August 31, 2006, L Fund assets were approximately \$13.2 billion. At that time, over 364,700 Federal employees and members of the uniformed services were invested in L Funds.

For the 12 months ending August 31, the L Fund returns were:

L 2040	11.47%
L 2030	10.55%
L 2020	9.95%
L 2010	8.65%
L Income	6.28%

If you haven't already done so, check out the L Funds at www.tsp.gov.

Receiving Monthly Payments?

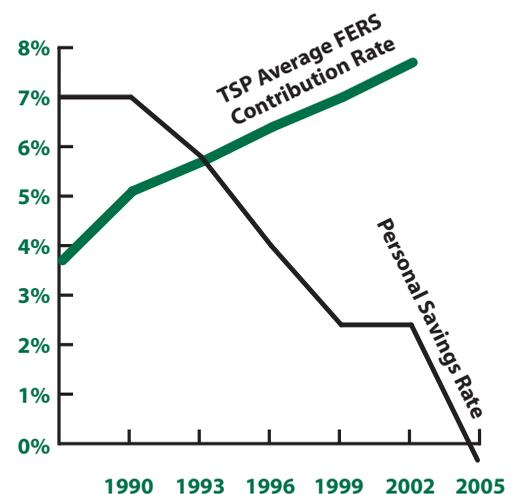
If you are receiving monthly payments and wish to change the amount for 2007 or switch permanently from TSP-computed payments to a specific dollar amount, you need to submit your request for the change by December 15 of this year. You will receive the appropriate notice and form in the mail in mid-November.

Savings Down . . . or Up?

For more than ten years, the American personal savings rate has been on a steady decline. According to the Bureau of Economic Analysis of the U.S. Department of Commerce, in 1994, Americans were saving about four percent of their disposable personal income. Yet, in the second quarter of 2006, that rate had fallen to minus 1.5 percent. This means that people are spending, selling assets, and borrowing more than they are saving.

While people may not feel the effects of this phenomenon right now, they may experience a shortage of funds later. When they retire, they may not have the money to cover their expenses. However, as the chart shows, despite the general downswing in personal savings, contributing Federal Employees' Retirement System (FERS) employees — who comprise most of the TSP participant population — are bucking the trend. They're protecting their financial future by increasing their contributions to the TSP. Also, the participation rate for members of the uniformed services, which first joined the TSP in 2002, continues to climb.

TSP and Personal Savings Rates



Your Opportunity to Save Effortlessly

With the TSP, your contributions come out of your pay automatically each pay period, making it easy to save on a regular basis. There are no limits on the percentage of pay that you can save, as long as you don't exceed the IRS elective deferral limit (\$15,000 for 2006). And if you are age 50 or older, you can save additional "catch-up" contributions (\$5,000 for 2006).

If you choose to contribute a percentage of your pay, the dollar amount of your contributions will automatically increase each time your salary goes up. On top of that, your TSP savings will increase not only through the growth of your contributions, but also through the growth of the earnings on those contributions — through the magic of compounding.

If you are a FERS employee, your savings potential is even greater. Your agency will help you save up to an additional five percent of pay each pay period. It will automatically contribute an amount equal to one percent of your pay. Then it will match your contributions — dollar-for-dollar on the first three percent of pay that you contribute and fifty cents per dollar on the next two percent. (You get the full advantage of the agency match when you contribute at least five percent of your pay each pay period.)

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)

Your Opportunity to Reduce Your Taxes

Since your contributions are deducted from your pay before your taxes are calculated, you pay no Federal income tax (and sometimes no state and/or local tax) on the money you put into the TSP until you withdraw it. You don't pay taxes on your earnings on that money either until you withdraw them. And you may also save on taxes later, because when you take your money out of the TSP after retirement, your income may have decreased, lowering your tax bracket.

Your Opportunity to Choose Investments

Some people are willing to take higher risks to achieve higher earnings potential. Others prefer more conservative investments. The TSP offers a choice of five individual investment options with varying degrees of exposure to risk. You can allocate your TSP contributions to one or any combination of these investments. You can also manage your risk by making changes in your investments at any time.

Your Opportunity to Put Your TSP Investments on Cruise Control

If you don't have the time, interest, or knowledge necessary to select the investments most appropriate for you, you can put the management of your account on "cruise control" by investing in the TSP's Lifecycle Funds (L Funds). Simply select the L Fund that most closely matches the date when you expect to start withdrawing funds. Your contributions are automatically put into a professionally determined combination of investments built on the TSP's five individual investment choices. The amount of risk your L Fund is exposed to is tailored to your time horizon (the date when you expect to withdraw your money). And the proportions of the five TSP funds underlying your L Fund change periodically as you get closer to your time horizon so that your account is always balanced to take on the appropriate amount of risk for you.

Opportunity is knocking! To find out more, visit www.tsp.gov.

Rates of Return										
	L 2040*	L 2030*	L 2020*	L 2010*	L Income*	G Fund	F Fund	C Fund	S Fund**	I Fund**
Monthly 2006										
Jan	3.84%	3.40%	2.92%	2.22%	1.10%	0.36%	0.09%	2.66%	6.70%	6.14%
Feb	-0.07	0.00	0.07	0.15	0.25	0.36	0.28	0.22	-0.98	-0.27
Mar	1.98	1.71	1.56	1.19	0.67	0.36	-0.93	1.29	3.84	3.33
Apr	1.75	1.62	1.47	1.18	0.74	0.44	-0.19	1.35	0.34	4.83
May	-2.87	-2.45	-2.06	-1.31	-0.33	0.44	-0.09	-2.87	-4.36	-3.87
June	0.26	0.27	0.28	0.37	0.33	0.44	0.19	0.07	0.47	0.00
July	0.13	0.20	0.35	0.37	0.49	0.44	1.32	0.65	-2.79	0.98
Aug	2.22	1.96	1.81	1.39	0.90	0.44	1.58	2.36	2.15	2.76
Annual 1996 – 2005										
1996	-	-	-	-	-	6.76%	3.66%	22.85%	-	-
1997	-	-	-	-	-	6.77	9.60	33.17	-	-
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	-2.22**	-15.42**
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	3.92*	3.59*	3.40*	2.99*	2.15*	4.49	2.40	4.96	10.45	13.63
Compound Annual 1996 – 2005										
	-	-	-	-	-	5.49%	6.18%	9.01%	-	-

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. Information about related indexes and their returns can be found in the TSP Fund Information sheets on the TSP Web site.

* The L Funds are invested in the individual TSP funds (G, F, C, S, and I). The L Funds were implemented on August 1, 2005; therefore, there are no returns for these funds for earlier periods. Returns for 2005 are for August 1, 2005, through December 31, 2005.

** 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.