Thrift Savings Plan
HIGHLIGHTS

April 2006

Don't get hooked by "phishing" crooks

Criminals "phish" by sending e-mails that appear to be from legitimate organizations (like the TSP) in order to trick recipients into providing personal information such as Social Security, credit card, or bank numbers, or passwords. Don't take the bait! Legitimate organizations don't need to ask you for your account number or personal information by e-mail — they already have it.

On March 16, 2006, some participants — and non-participants — received an e-mail that contained a link to a bogus Web page that looked just like the TSP's. This was a scam. **The TSP never asks for personal, credit card, or bank information via e-mail.** We don't even have participant e-mail addresses.

If you responded to the March 16 e-mail by entering your personal or financial data, call the ThriftLine immediately and speak with a representative.

Be informed — **www.onlineonguard.gov/phishing** has information about "phishing" and what you can do to avoid getting hooked.

It's Never Too Early — or Too Late — to Save for Your Retirement

Whether you are just starting out in your first job, reaching mid-career, or planning to retire soon, ***now*** is a good time to save for your future. Your age or length of service doesn't matter. There are advantages to investing in the TSP at every stage of your career.

Contributing Early Can Yield the Most Money

Although retirement may seem far away when you are first employed, the earlier you start saving, the more money you will have when you stop working. Even if you can only afford to put aside a small amount, it's wise to begin saving as early as you can. You will not only accumulate more money by contributing for a longer period — you will also benefit from a process called *compounding*. With compounding, once your money begins to accrue earnings, the earnings also start accruing earnings of their own. So your account balance keeps growing based on both the money you contribute and your earnings.

If you are a FERS employee, your money will grow even faster, because your agency will give you Agency Automatic Contributions equivalent to one percent of your pay — and it will give you a dollar-for-dollar match on the first three percent of pay that you contribute and a 50-cent-per-dollar match on your additional contributions up to five percent of pay. On top of that, your account will accrue compound earnings on all of that money.

Mid-Career Saving May Be Easier on Your Budget

Of course, when you reach mid-career, your income will probably be higher, so you will probably be able to contribute more and thereby accrue even greater earnings. Each time you get a raise, promotion, or step increase, you should consider investing some of your additional pay in the TSP. The more you contribute, the more you earn — and the more your earnings (and any agency contributions and *their* earnings) earn.

If You've Put Off Investing, You Can Still Catch Up

The longer you have waited to save, the more money you will have to put away. (You can use the link on the TSP Web site to the American Savings Education Council's Ballpark Estimate calculator to find out how much money you need to save to have a comfortable retirement.) The maximum the Internal Revenue Service (IRS) allows you to contribute to the TSP in 2006 is $15,000. However, older Federal employees and members of the uniformed services are also eligible to make extra "catch-up" contributions beginning in the year when they turn 50. For 2006, they may contribute up to $5,000 in catch-up contributions as long as they contribute up to the $15,000 elective deferral limit. In future years, that ceiling, which is set by the IRS, will be indexed to inflation. The good news is that catch-up contributions, like regular employee contributions and agency contributions, accrue compound earnings, allowing your account balance to grow faster.

Your Investment Choices Make a Difference

Although you can benefit from contributing at any time, the way you allocate your money should depend on when you're planning to withdraw it. During your younger years, when you have lots of time before you need your money, you can more safely take on the risk associated with potentially higher-returning investments. So at that time, you might want to invest more of your contributions in stock funds like the C, S, and I Funds, rather than in the more conservative G and F Funds, which are based on fixed-income securities and bonds. However, as you get closer to retirement, you should gradually decrease your exposure to risk. You can do this by making interfund transfers to move your existing balance into more conservative funds and by updating your contribution allocation from time to time to make sure your future contributions are also invested more conservatively. If this seems like too much trouble and effort, take a look at the L Funds.

The TSP makes investing easier with its lifecycle funds, or L Funds, through which your risk is automatically managed for you. Each of the five available L Funds consists of a distinct professionally allocated mix of the five individual TSP funds. That mix will range from less to more conservative, depending on your L Fund's specific "time horizon," which is the date when you plan to withdraw your money. Periodically, experts will review the investment mix in your L Fund to make sure the investment allocations remain appropriate for your time horizon. Since the L Funds are targeted to several different time horizons — 2040, 2030, 2020, 2010, and the near future — they can help you invest wisely at any age. Already over 280,000 TSP participants have invested more than $10 billion in the L Funds. More information about the L Funds and the individual TSP funds is available on the TSP Web site, www.tsp.gov. Don't delay — it's your retirement!

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%	.36%	.09%	2.66%	6.70%	6.14%
Feb	– .07	.00	.07	.15	.25	.36	.28	.22	– .98	– .27
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	– .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*	4.46	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.