



Thrift Savings Plan HIGHLIGHTS

April 2007

TSP gets high satisfaction rating

Eighty-five percent of respondents to a November 2006 TSP survey conducted by Watson Wyatt Worldwide said that they were “satisfied” or “very satisfied” with the TSP. Watson Wyatt reports that this is significantly higher than the 68% favorable rating private-sector 401(k) participants give their plans. Only 3% of TSP participants say they are dissatisfied.

TSP participants save more too! The survey shows that they are saving higher percentages of pay through the TSP than their private sector counterparts save in their 401(k) plans. Participants also identify the TSP as a cornerstone of their future retirement income. Over two-thirds of TSP participants review their accounts at least quarterly (a good practice).

TSP Web site is popular

In addition to checking account balances and making transactions, participants are using the Web site to learn about the program and improve their financial literacy, according to the survey results.

You can find a copy of the full survey report at www.FRTIB.gov.

How's Your TSP IQ?

April is financial literacy month — a good time to reconcile your current spending and saving habits with your future retirement needs. Average life expectancy is on the increase, and inflation remains a concern. But saving through the TSP can help you meet expenses in retirement, particularly if you are a FERS employee. The better you understand how the TSP works, the more successful you'll be at using the TSP to invest in your future. Take the quiz below to test your TSP IQ. (Answers are on the back.)

- 1) When should you begin saving for retirement?
 - a) When you start planning your exact retirement date so that you can choose a precise amount to save.
 - b) As early as possible, because the earlier you begin saving, the more time you have for your money to grow.
 - c) When you turn 30.
- 2) How much should you be saving?
 - a) As much as you can reasonably afford to reach your goal. For FERS employees, it's especially important to contribute at least 5% of pay because that will maximize the matching contributions from your agency.
 - b) About as much as you're paying for utility bills.
 - c) The same amount your co-workers are saving.
- 3) What is the maximum you can contribute in 2007?
 - a) 10% of your pay.
 - b) There is no limit.
 - c) \$15,500, plus \$5,000 in catch-up contributions if you are or will be age 50 or older during the year and are contributing the maximum allowed in regular contributions.
- 4) What is the power of compounding?
 - a) According to Einstein, it's the eighth wonder of the world and a definite advantage of long-term investing.
 - b) It's when the money that you contribute accrues earnings over time — then those earnings accrue more earnings, which then accrue more earnings, and so on.
 - c) Both answers are correct.
- 5) How should you manage your TSP account to meet your personal retirement goals?
 - a) Put the same amount of money into each of the available TSP Funds at all times, regardless of your age or financial circumstances.
 - b) Choose the TSP Fund or mix of TSP Funds that give you the best potential return for the amount of risk that is appropriate for you.
 - c) Make sure all your investments carry the same amount of risk.

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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)

How's Your TSP IQ? *(Continued from front)*

- 6) Which TSP Fund(s) take into account — and automatically adjust for — the time when you will start withdrawing your TSP account (i.e. your time horizon)?
- a) The G Fund, because you will get a positive rate of return regardless of your time horizon.
 - b) The I Fund, because the I Fund invests in the stock markets of 21 countries spread across several international time zones.
 - c) The L Funds, because they diversify TSP accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes that are tailored to different time horizons, and they adjust the investment mix quarterly to ensure the highest possible rate of return for the risk taken.

Answers and Web site IQ builders:

- 1) **b** — Check out the Retirement Planning calculator on the TSP Web site to prove that starting early is important.
- 2) **a** — Learn more about agency contributions in TSP Features (Understanding Agency Contributions).
- 3) **c** — Click on 2007 Contribution Limits to get the full story.
- 4) **c** — A good story never dies. Check out the May 1994 *Highlights* article, "The Miracle of Compounding."
- 5) **b** — See the January 2005 *Highlights* on Asset Allocation.
- 6) **c** — Click on the L Funds icon to get more information on making your investment decisions easier.

If you want to expand your TSP IQ, everything you need to know is just a mouse click away at www.tsp.gov.

Web Passwords Strengthen Security

In April, the TSP will introduce enhanced passwords to make your account information on the Account Access section of the TSP Web site more secure. Once the change has been made, if you're already a TSP participant, you'll be prompted to create your new password when you log into Account Access. We'll send new participants an initial password when their accounts are established. Watch the Web site for our implementation announcement.

But hold onto your PIN! You will still need it to access your account through the ThriftLine. And keep your PIN and password confidential — it's critical for the security of your account.

The TSP is planning more Web security enhancements in the future. Watch for TSP account numbers and other developments coming this year. 📡

Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2007										
Jan	1.53%	1.42%	1.22%	0.89%	0.63%	0.43%	0.00%	1.53%	3.14%	1.31%
Feb	-0.64	-0.49	-0.38	-0.14	0.16	0.34	1.53	-1.95	-0.26	0.18
Annual 1997 – 2006										
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	–	–
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
Compound Annual 1997 – 2006										
	–	–	–	–	–	5.31%	6.25%	8.37%	–	–

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, 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.