



# Thrift Savings Plan HIGHLIGHTS

January/February 2012

## 2011 TSP Expense Ratio

The expense ratio is the amount by which each TSP account is reduced to cover administrative expenses. Following are the expense ratios for 2011:

- G Fund:** .025%
- F Fund:** .024%
- C Fund:** .025%
- S Fund:** .025%
- I Fund:** .025%
- L Funds:** .025%

**.025% is equivalent to 2.5 basis points, or 25¢ for every \$1,000 in your account.**

This pays for:

- management fees;
- operating and maintaining the TSP's record keeping system;
- providing participant services; and
- printing and mailing notices, statements, and publications.

Expenses are offset by the forfeitures of Agency Automatic (1%) Contributions of FERS employees who leave Federal service before they are vested, other forfeitures, and loan fees.



## Is Roth for You?

The TSP will introduce a feature later this year that will allow active participants to make Roth contributions to their TSP accounts. This new feature will allow you to contribute some or all of your contributions to the Roth TSP. With Roth contributions, you pay taxes now. However, when you withdraw these contributions and their earnings, you will not have to pay taxes on them as long as you are 59½ or older and you have had Roth contributions for five years or more when you receive your distribution.

As we get closer to the date when you can start making Roth contributions, you'll learn more about this new feature on the TSP website. In the meantime, you may want to start thinking about whether Roth contributions could be to your advantage.

### Comparison of Traditional (Pre-tax) and Roth (After-tax) Contributions

The Treatment of . . .	Traditional TSP	Roth TSP
<b>Contributions</b>	<i>Pre-tax</i>	<i>After-tax</i> <sup>1</sup>
<b>Your Paycheck</b>	<i>Taxes are deferred</i> , so less money is taken out of your paycheck.	<i>Taxes are paid up front</i> , so more money comes out of your paycheck.
<b>Transfers In</b>	<i>Transfers</i> allowed from eligible employer plans and traditional IRAs	<i>Transfers</i> allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
<b>Transfers Out</b>	<i>Transfers</i> allowed to eligible employer plans, traditional IRAs, and Roth IRAs <sup>2</sup>	<i>Transfers</i> allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs <sup>3</sup>
<b>Withdrawals</b>	<i>Taxable</i> when withdrawn	<i>Tax-free</i> earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, permanently disabled, or deceased

<sup>1</sup> Roth contributions are subject to Federal (and, where applicable, state and local) income taxes, while traditional contributions are not taxed until withdrawn. However, both Roth contributions and traditional contributions are included in the amount of wages used to calculate payroll taxes (e.g., Social Security taxes).

<sup>2</sup> You would have to pay taxes on any pre-tax amount transferred to a Roth IRA.


<sup>3</sup> Transfers to a Roth IRA from a Roth TSP are not subject to the income restrictions that apply to Roth IRA contributions.

**How should you decide?** It all comes down to whether you would be better off paying your taxes now or later (i.e., your marginal tax rate now versus your rate at retirement). Your personal situation will determine whether it is better to have the tax savings of traditional TSP now or the tax-free earnings of Roth TSP later. As you make your Roth decision, think about your income level and tax rate now and what you expect they will be when you retire.

**Future tax rates play into the Roth decision.** Tax rates are a constantly moving target. It's hard to guess what your future earnings and tax rate will be, or even what the U.S. income tax structure will be in the future. Having a mix of traditional and Roth savings is one way to avoid betting on just one tax scenario. The TSP will provide you the flexibility to make traditional pre-tax and Roth contributions to your account simultaneously or at different times. You should reassess your decision whenever your tax or income situation changes.

**Roth TSP is not a Roth IRA.** Unlike a Roth IRA, there are no income restrictions on contributions to the Roth TSP feature. Any participant who is eligible to contribute to the TSP can make Roth contributions.

Also, Roth TSP contributions are subject to different contribution limits than Roth IRAs. In 2012, you can contribute up to \$17,000 (plus \$5,500 if you are 50 or older) to your Roth TSP,\* while you can only contribute \$5,000 (\$6,000 if you are 50 or older) to a Roth IRA. (If you *are* eligible to contribute to a Roth IRA, making Roth contributions to your TSP account will not affect your Roth IRA contribution limits.)

**The decision is yours.** The Roth decision is an individual one. Later in the year, the TSP will provide more information on the TSP website to help you decide whether making Roth contributions could be beneficial for you. You may also wish to consult a qualified financial or tax advisor. 

\* The combined total of Roth and traditional contributions cannot exceed these limits.

Rates of Return										
	L 2050	L 2040	L 2030	L 2020	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
<b>Monthly 2011</b>										
Jan	-	1.75%	1.57%	1.35%	0.63%	0.24%	0.13%	2.37%	1.23%	2.41%
Feb	3.28	2.95	2.60	2.15	0.90	0.22	0.26	3.42	4.52	3.33
Mar	-0.15	-0.08	-0.05	-0.03	0.17	0.26	0.06	0.04	2.06	-2.23
Apr	3.57	3.20	2.83	2.37	1.01	0.25	1.28	2.96	2.94	6.03
May	-1.39	-1.15	-0.97	-0.74	-0.05	0.25	1.31	-1.13	-1.27	-2.90
June	-1.48	-1.30	-1.10	-0.84	-0.18	0.21	-0.30	-1.67	-2.35	-1.16
July	-1.75	-1.49	-1.25	-0.94	-0.14	0.22	1.59	-2.04	-3.14	-1.60
Aug	-6.16	-5.37	-4.63	-3.69	-1.10	0.19	1.45	-5.44	-8.12	-9.03
Sept	-7.80	-6.85	-5.92	-4.73	-1.51	0.16	0.73	-7.03	-10.73	-10.55
Oct	9.92	8.83	7.68	6.18	2.31	0.14	0.11	10.93	14.09	9.48
Nov	-0.78	-0.62	-0.49	-0.34	0.02	0.14	0.01	-0.21	-0.51	-2.46
Dec	-0.01	0.07	0.09	0.11	0.20	0.15	1.01	1.04	-0.04	-2.03
<b>Annual 2002 – 2011</b>										
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	7.59	4.93	4.40	15.79	15.30	26.32
2007	-	7.36	7.14	6.87	5.56	4.87	7.09	5.54	5.49	11.43
2008	-	-31.53	-27.50	-22.77	-5.09	3.75	5.45	-36.99	-38.32	-42.43
2009	-	25.19	22.48	19.14	8.57	2.97	5.99	26.68	34.85	30.04
2010	-	13.89	12.48	10.59	5.74	2.81	6.71	15.06	29.06	7.94
2011	-	-0.96	-0.31	0.41	2.23	2.45	7.89	2.11	-3.38	-11.81
<p>The returns for the TSP funds represent net earnings after deduction of administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and 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 website.</p> <p>The Lifecycle 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.</p> <p>* The Government Securities Investment (G) Fund; the Fixed Income Index Investment (F) Fund; the Common Stock Index Investment (C) Fund; the Small Capitalization Stock Index (S) Fund; the International Stock Index Investment (I) Fund</p>										