09-13

# Thrift Savings Plan BULLETIN for Agency TSP Representatives

**Subject:** Thrift Savings Plan Leaflet — "What's Stopping You?"

**Date:** December 16, 2009

In July 2009, the Thrift Savings Plan (TSP) and agencies implemented the provision of Public Law 111-31, the Thrift Savings Plan Enhancement Act of 2009, which authorized immediate agency contributions for TSP participants covered by the Federal Employees' Retirement System (FERS) and other equivalent retirement plans. Although the year-to-date growth rate of 6.4% for contributing FERS participants is the highest it has been since 1999, the number of non-contributing FERS employees has increased approximately 73,000 between July and December. Our goal now is to encourage these new participants to begin saving for their retirement and taking advantage of the Agency Matching Contributions they are currently "leaving on the table."

As part of this effort, we have developed a new TSP leaflet, "What's Stopping You?" The leaflet focuses on FERS participants who are receiving Agency Automatic (1%) Contributions, but not receiving Agency Matching Contributions because they are not contributing to their TSP accounts. The leaflet highlights the tax benefits of contributing to the TSP. It also provides examples of how contributing early to the TSP can make a big difference in the future through the power of compound earnings. The leaflet emphasizes the central importance of the TSP to a FERS participant's retirement savings. Finally, the leaflet gives a brief overview of TSP investment options.

The TSP will be mailing the leaflets directly to approximately 375,000 non-contributing FERS participants in December 2009. This leaflet is not available for agencies to order through the TSP forms distribution system; however, an electronic version of the leaflet is attached to this bulletin and is also available for download on the TSP website (under Forms and Publications). We encourage all agency representatives to review the contents of the leaflet in case they receive questions from their employees.

*(continued on next page)*

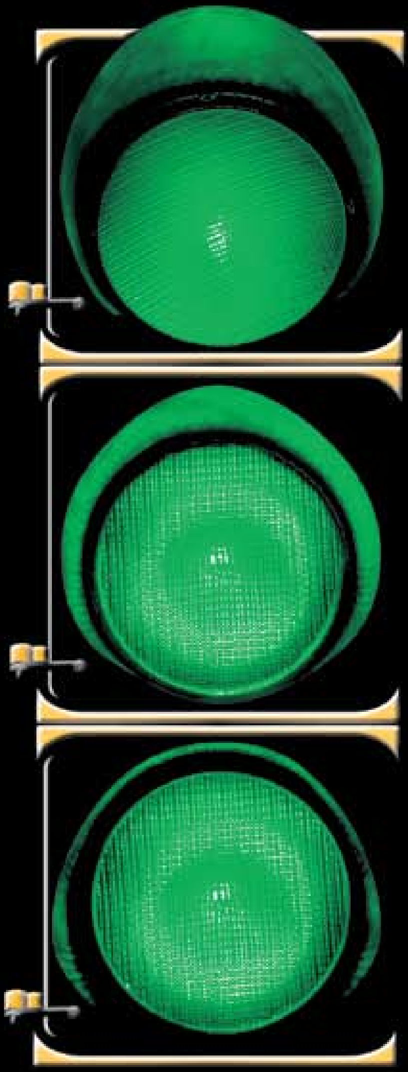
**Inquiries:** Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

**Chapter:** This bulletin may be filed in Chapter 2, General Information.

Also, this would be an excellent time for agencies to reinforce our message through their own internal communications. The end of the year is a good time for everyone to reassess their finances, and many Federal employees are getting a 2010 pay increase, which could help fund their TSP contributions. Our request is that you continue to encourage participation as part of a sustained effort to highlight the importance for FERS participants of contributing to the TSP.

PAMELA-JEANNE MORAN
Director
Office of Participant Services

Attachment



# What’s Stopping You?

A brighter future is ahead.

## Get more free money.

You're in! Your agency has opened a Thrift Savings Plan (TSP) account for you and is depositing an amount equal to 1% of your pay each pay period. **But you're entitled to an additional 4%** — a lot of free money to leave unclaimed. All you have to do is save. Your agency will match dollar for dollar the first 3% you contribute, and 50¢ on the dollar for the next 2%. That means that when you save 5% of your pay, 10% goes into your TSP account. That's hard to beat.

**But don't stop reading** if you can't afford to save 5% of your pay each pay period. You can contribute less — as little as $1 — and still get free money. Your $1 in savings means $2 in your account.

## There is even a significant tax benefit.

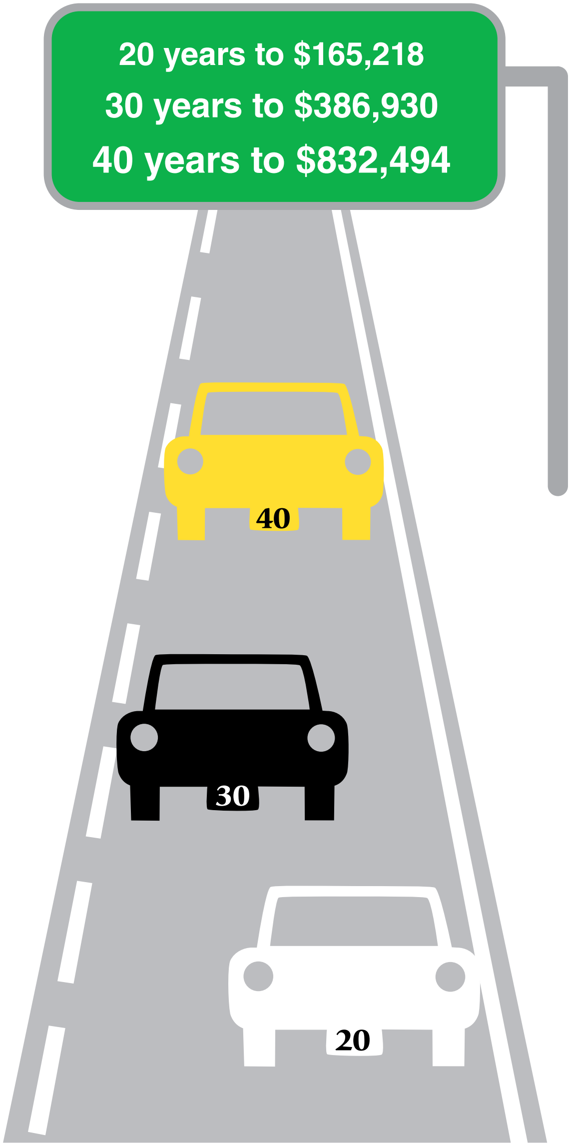
The money you put in your TSP account is deducted from your pay before income taxes are calculated. That reduces the amount of your taxable pay and your overall tax bill. The taxes you don't pay now help to finance your TSP savings:

| | |
|---|---|
| **If your biweekly salary =** | **$1,462** |
| **Your 5% contributions =** | **$73** |
| **Your paycheck is reduced by only** | **$61*** |

* This example is based on a TSP participant making $38,000 a year, married filing jointly, with 2 dependents in 2008. It does not take state taxes into account, which vary widely. Your benefit will depend on your personal tax situation and the state in which you live. In general, the higher your taxes, the greater the benefit, and the more money you'll have in your paycheck after your TSP savings come out. (You pay no taxes on your TSP contributions and their earnings until you withdraw them.)

## Why wait?
## Time is your biggest ally.

It's simple. The longer you save, the more dramatically your account will grow. Look at the savings potential of 3 FERS employees earning $38,000 a year and contributing 5% to the TSP (assuming a 7% annual rate of return, compounded monthly):



## The TSP is important to your retirement.

Your TSP account could mean the difference between a comfortable retirement and a difficult retirement. As a FERS employee, your retirement benefit consists of the FERS Basic Annuity, Social Security, and the TSP. Your TSP account is the part that you control. You contribute as much as you wish (up to the IRS limit) and you decide how to invest it.

## The TSP is a simple plan that you customize to your needs.

You can invest your savings in a mixture of stocks, bonds, and U.S. Treasury securities, deciding what is the appropriate level of risk for you — from high risk to no risk at all. The TSP even makes it simpler with the L Funds, which offer a mix of investments tailored to the year you'll need your money in retirement. If you're not ready to make an investment decision, you can keep your money in the G Fund — secure, but usually with better returns than any savings or money market account around.

## Get smart. Get saving.

To start your TSP savings, ask your personnel office for Form TSP-1, download the form from the TSP website, or use your agency's electronic version of the form.

**For more information, go to:**

**www.tsp.gov**

**or call**

**1-877-968-3778**

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