

Saving in the Thrift Savings Plan

Getting the most bang for your buck



Diversification



- Diversification is:
 - Balancing an investment portfolio by dividing it among different securities, industries or classes
- It reduces risk because:
 - It combines a variety of investments which are unlikely to all move in the same direction
- The TSP achieves diversification by tracking specified baskets of investments called “index investment funds”

Index Investment Funds

The TSP's index investment funds are designed to help you maximize your savings potential

- Facilitate a passive strategy – No need to:
 - Pick individual investments
 - Try to time market movements
- Eliminate the anxiety of trying to beat the market
- Reduce trading costs and investment expenses

Standard and Poor's 500 index stocks categorized by sectors and industries. Size represents market cap. (Feb 24, 2017)



Image source: <http://finviz.com/map.ashx>

TSP Core Investment Funds

Bloomberg Barclays
Capital U.S.
Aggregate Bond
Index

S&P 500
Index

Dow Jones U.S.
Completion Total
Stock Market
Index

MSCI EAFE Index



Index Investment Funds

Bonds

Stocks

Nonmarketable
short-term U.S.
Treasury
security

Specially issued
to the TSP

High-quality fixed
income securities
with maturities of
more than one year

Large – Medium
companies
~80% of US stock
market

Medium – Small
companies
~the rest of US
stock market

Large companies
in developed
countries

← Domestic →

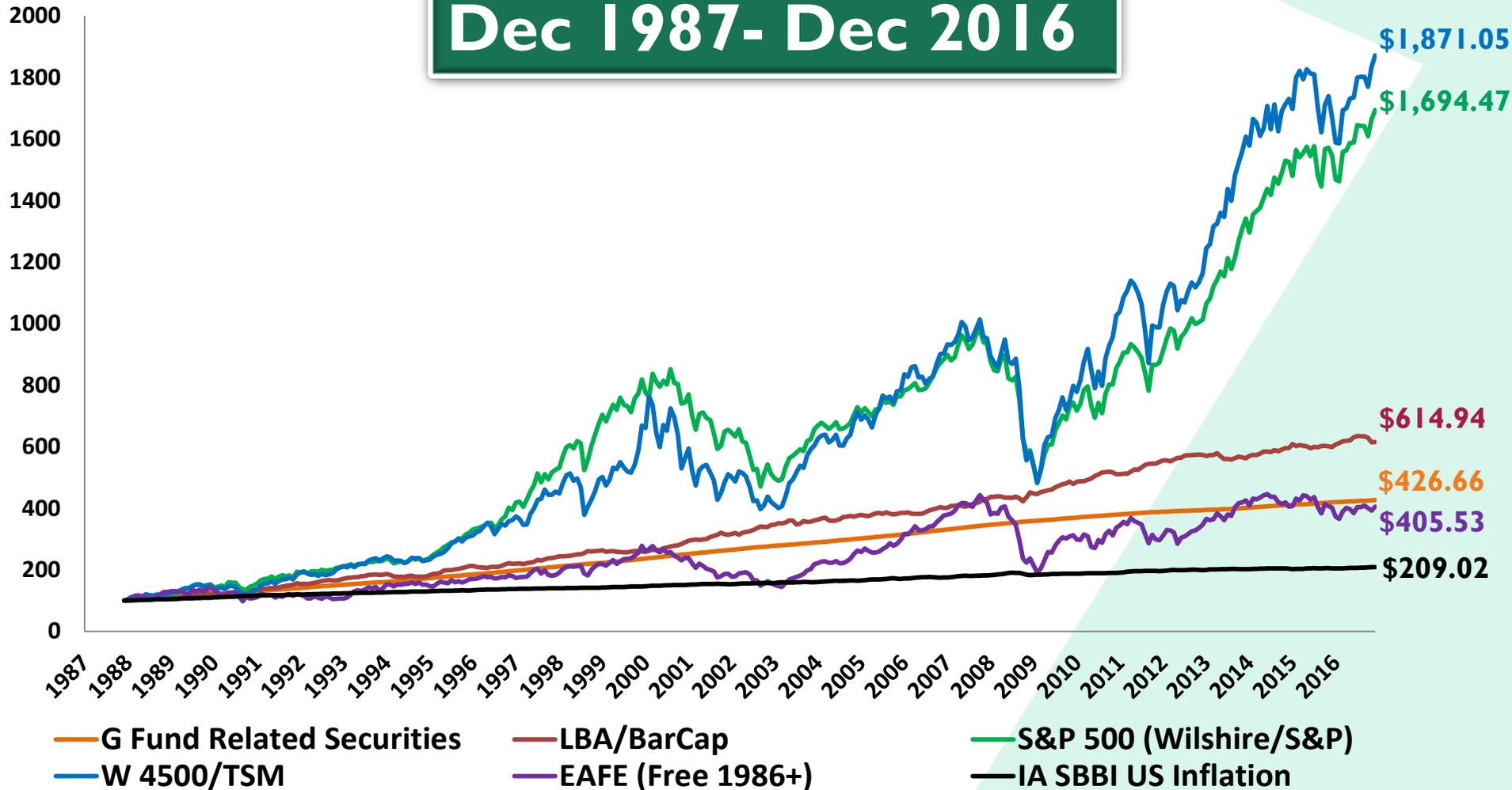
↑
International



TSP Fund Information on tsp.gov
Investment Option Review in Reading Room on frtib.gov/Reading Room

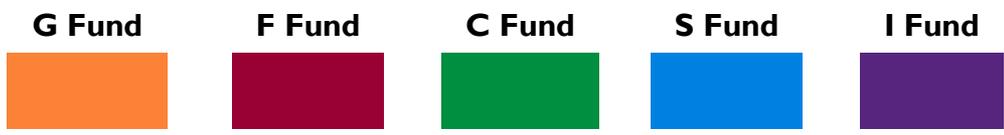
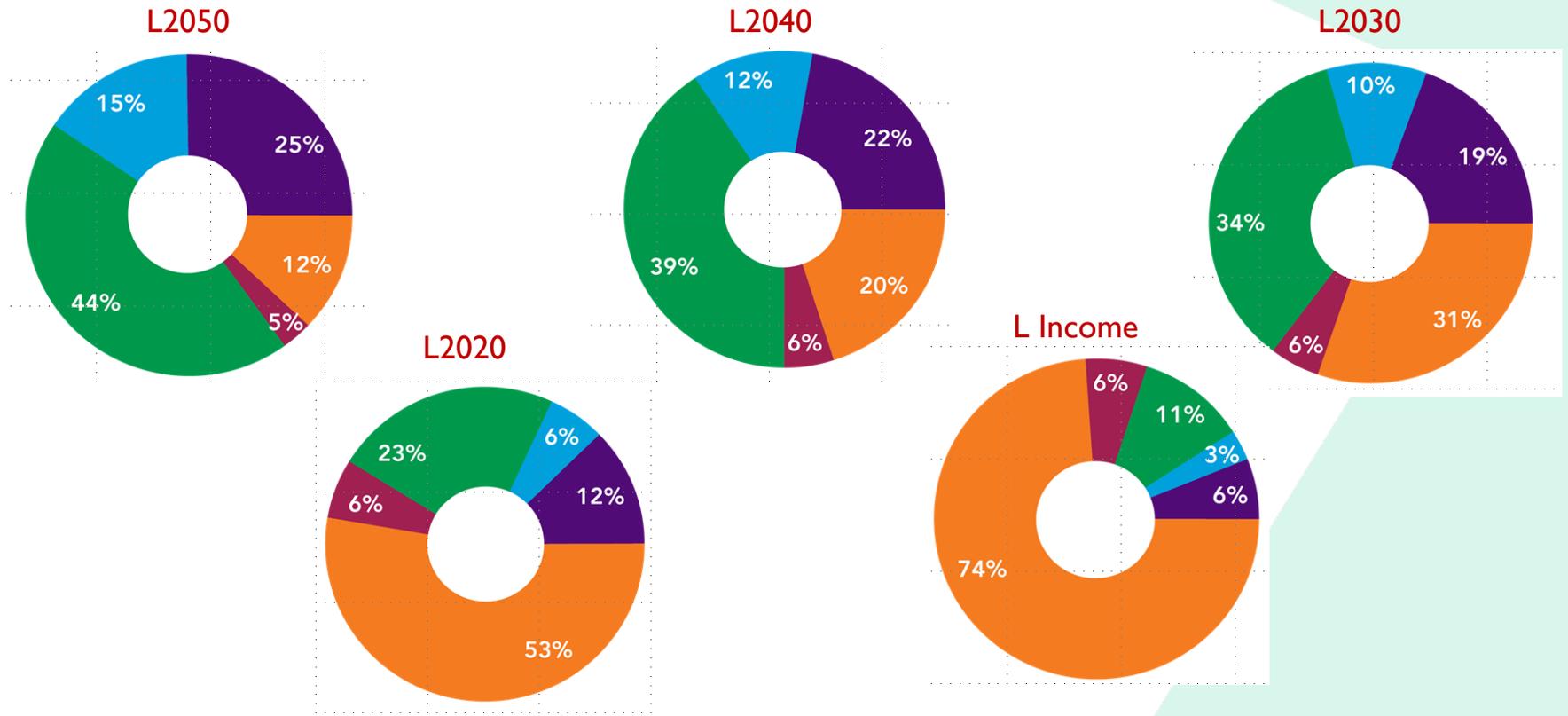
Performance of the TSP's Benchmark Indices

Dec 1987- Dec 2016



TSP Lifecycle Funds

Allocation Targets* as of January 2017

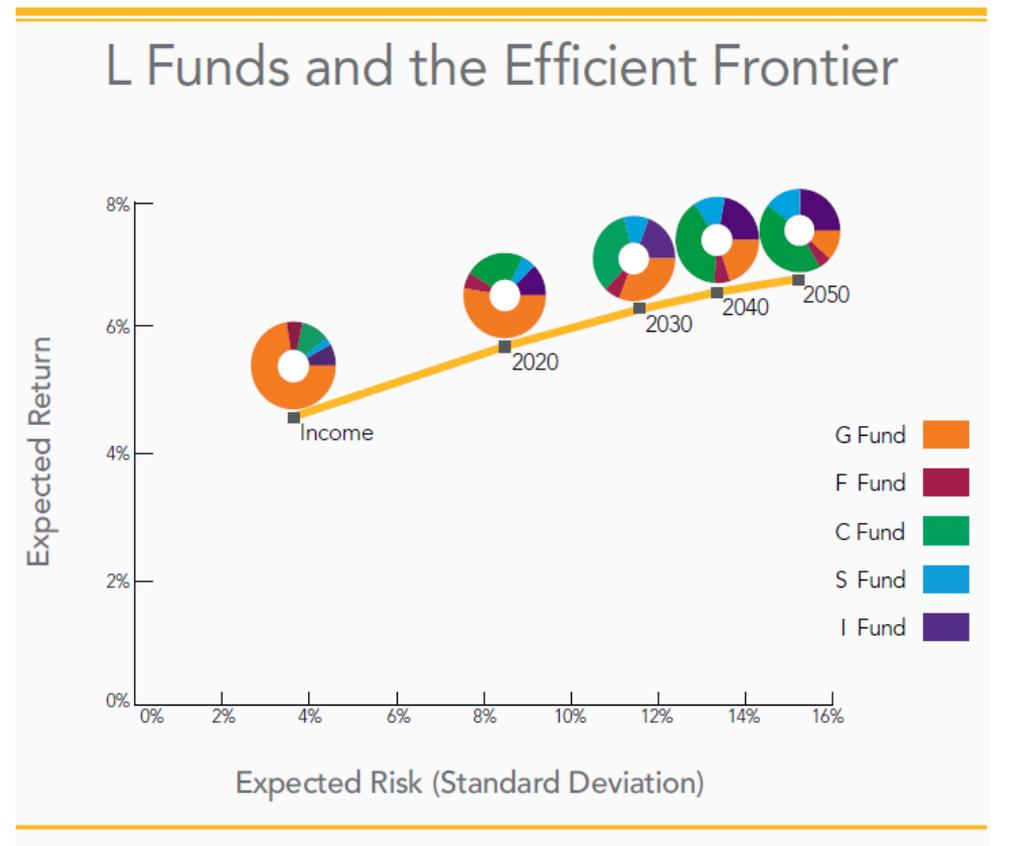


* Due to rounding, numbers may not add up to exactly 100 %.



The Lifecycle Funds and the Efficient Frontier

- Rebalanced to their target allocations each business day
- Adjusted quarterly to more conservative investments as the fund time horizon shortens
- Objective to provide the highest expected rate of return for the amount of risk expected



Find more detailed information in “Booklet: TSP Fund Information Sheets on [tsp.gov](https://www.tsp.gov)

TSP Funds Performance Summary

10 Year Summary

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
11.43%	5.45%	34.85%	29.06%	7.89%	18.62%	38.35%	13.78%	2.04%	16.35%
7.36%	3.75%	30.04%	15.06%	2.45%	18.57%	32.45%	7.80%	1.46%	12.01%
7.09%	-31.53%	26.68%	13.89%	2.11%	16.07%	23.23%	6.73%	0.91%	7.90%
5.54%	-36.99%	25.19%	7.94%	-0.96%	14.27%	22.13%	6.22%	0.73%	2.91%
5.49%	-38.32%	5.99%	6.71%	-3.38%	4.29%	1.89%	2.31%	-0.51%	2.10%
4.87%	-42.43%	2.97%	2.81%	-11.81%	1.47%	-1.68%	-5.27%	-2.92%	1.82%

G	F	L 2040
C	S	I

The returns for the TSP funds represent net earnings after the deduction of administrative expenses, trading costs, and investment management fees



How do your returns compare?

Find your annual returns on your annual statements (all years) or on your fourth quarter statements (2012 to present)

Year	You?	L Income	L 2020	L 2030	L 2040	L 2050	G Fund	F Fund	C Fund	S Fund	I Fund
2006		7.59%	13.72%	15.00%	16.53%		4.93%	4.40%	15.79%	15.30%	26.32%
2007		5.56%	6.87%	7.14%	7.36%		4.87%	7.09%	5.54%	5.49%	11.43%
2008		-5.09%	-22.77%	-27.50%	-31.53%		3.75%	5.45%	-36.99%	-38.32%	-42.43%
2009		8.57%	19.14%	22.48%	25.19%		2.97%	5.99%	26.68%	34.85%	30.04%
2010		5.74%	10.59%	12.48%	13.89%		2.81%	6.71%	15.06%	29.60%	7.94%
2011		2.23%	0.41%	-0.31%	-0.96%		2.45%	7.89%	2.11%	-3.38%	-11.81%
2012		4.77%	10.42%	12.61%	14.27%	15.85%	1.47%	4.29%	16.07%	18.57%	18.62%
2013		6.97%	16.03%	20.16%	23.23%	26.20%	1.89%	-1.68%	32.45%	38.35%	22.13%
2014		3.77%	5.06%	5.74%	6.22%	6.37%	2.31%	6.73%	13.78%	7.80%	-5.27%
2015		1.85%	1.35%	1.04%	0.73%	0.45%	2.04%	0.91%	1.46%	-2.92%	-0.51%
2016		3.58%	5.47%	7.07%	7.90%	8.65%	1.82%	2.91%	12.01%	16.35%	2.10%
Average		4.14%	6.03%	6.90%	7.53%	11.50%	2.85%	4.61%	9.45%	11.06%	5.32%



Change Your Investment Mix

Contribution Allocation

- Tells the TSP how participant wants new money going into their account to be invested among the TSP investment fund options
- Includes employee contributions, agency contributions, TSP loan payments, and any transferred or rollover funds

Interfund Transfer

- Redistributes fund balances among existing TSP investment fund options
- Does not affect the investment of future deposits into their TSP account

May be done via TSP ThriftLine or TSP.gov

Generally effective as of close of business each day (based on 12 noon ET cutoff)

Participant will receive confirmation via website, email or mail



Interfund Transfer (IFT) Limit

For each calendar month, the *first two* interfund transfers redistribute money among any or all of the TSP funds.

For the remainder of the month, IFTs can only move money into the G Fund.

Example:

G	20%
F	
C	
S	
I	
L	80%

G	100%
F	
C	
S	
I	
L	

G	10%
F	
C	40%
S	35%
I	15%
L	

G	60%
F	
C	20%
S	5%
I	15%
L	

G	100%
F	
C	
S	
I	
L	

Costs of Investing with the TSP

	G Fund	F Fund	C Fund	S Fund	I Fund	L Income	L 2020	L 2030	L 2040	L 2050
2016 Administrative Expenses										
Gross	0.052%	0.052%	0.052%	0.051%	0.053%	0.052%	0.052%	0.052%	0.052%	0.052%
Net¹	0.038%	0.038%	0.038%	0.038%	0.039%	0.038%	0.038%	0.038%	0.038%	0.038%
Other Expenses²										
	0.000%	0.017%	0.004%	0.041%	0.014%	0.003%	0.007%	0.009%	0.011%	0.012%

¹ Net administrative expenses are the expenses charged to TSP participants per dollar invested in the respective funds after offsetting gross administrative expenses with account forfeitures and loan fees.

- ² Fees associated with securities lending are not included in 2016 administrative expenses.
- Consistent with standard practice in the industry, they are charged in addition to administrative expenses.
 - The other expenses represent fees paid to the investment manager for administering securities lending programs.

Income earned from these programs improved the returns of the funds

TSP's Net Administrative Expenses Compared with the Average

Average 401(k) Plan

TSP



\$0.38 per \$1,000¹

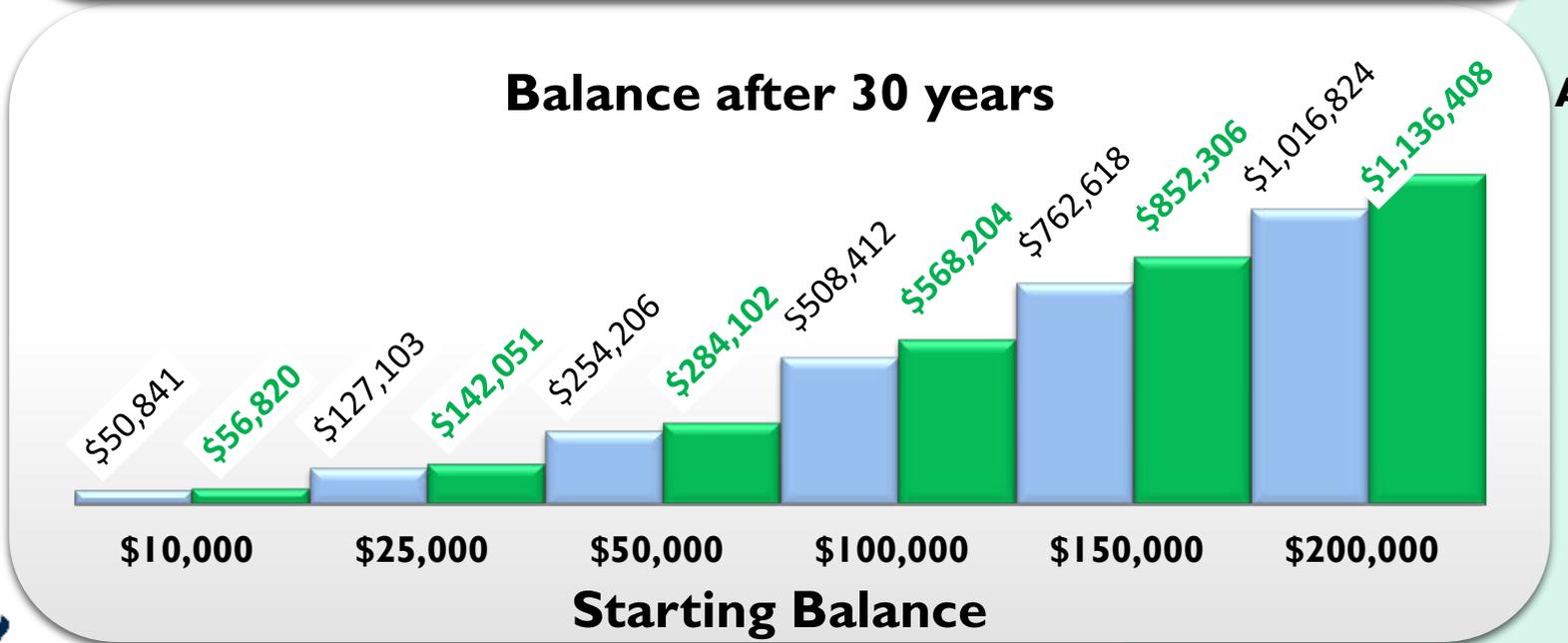


\$4.30 per \$1,000²

¹ Net administrative expenses charged to the TSP participant across all funds, 2016

² Median estimated 401(k) plan fees. Source: *11th Annual NEPC Defined Contribution Plan & Fee Survey Webinar, Sep 2016*

Effect of TSP's Expenses on Long-Term Returns



 Avg. 401(k)
 TSP



*Calculation discounts 6.0% RoR by .43% (Avg. 401(k)) and .038% (TSP) with compounding annually to determine TVM values

Quarterly Statement

Participant Address



Thrift Savings Plan

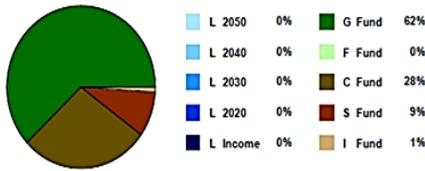


Here's how the value of your TSP account has changed.

Value on October 1, 2013	\$77,376.86
Contributions and Additions	\$878.08
Withdrawals and Deductions	-\$14,000.00
Investment Gain (or Loss)	\$1,318.74
Value on December 31, 2013	\$65,371.68

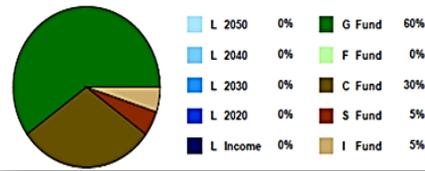
Your vested account balance is \$65,371.68

Your account balance distribution



L 2050	0%	G Fund	62%
L 2040	0%	F Fund	0%
L 2030	0%	C Fund	28%
L 2020	0%	S Fund	9%
L Income	0%	I Fund	1%

Your investment allocation for future contributions



L 2050	0%	G Fund	60%
L 2040	0%	F Fund	0%
L 2030	0%	C Fund	30%
L 2020	0%	S Fund	5%
L Income	0%	I Fund	5%

Your Quarterly Statement for the period 10/01/2013 – 12/31/2013

Account Number: [REDACTED]

Date of Birth: [REDACTED]
 Retirement Coverage: FERS
 Employment Status: Active
 Service Required for Vesting: 3 years from [REDACTED]

A Message for You

Great news! Now you can easily access your TSP account through your Android, iPhone, or similar smartphone by visiting the TSP's website (tsp.gov). You do not need to download an app to use this great feature. Just go to My Account from your smartphone and you will be directed to a mobile version, where you can view your account balance, transaction history, and perform contribution allocations and interfund transfers. Want to visit the non-mobile site? Just select the "Full Site" button on the top right of the screen.

Your Personal Rate of Return

Last 12 Months
10.26%

Questions? tsp.gov
 ThriftLine: 1-TSP-YOU-FRST
 1-877-968-3778
 Outside U.S. and Canada: 404-233-4400
 TDD: 1-TSP-THRIFTS
 1-877-847-4385
 YouTube.com/TSP4gov

To correct personal or contribution information, contact your agency.

Participant Information

Your Investment Return



- Ensure that all personal data on file with the TSP is correct
- Report errors to your agency for correction

Loans and In-Service Withdrawals

Accessing your TSP money while still employed



TSP Loans

- Can only borrow from your own contributions and earnings
- Loan repayment is through payroll deductions
 - Includes an interest charge equal to the G fund rate when the loan was processed and is fixed for life of loan
- A \$50 loan fee is deducted from loan proceeds for loan administrative costs
- May make additional payments directly
- Two types of TSP Loans:
 - General Purpose loan - repayment up to five years
 - Residential loan - repayment up to 15 years
 - Only for purchase or construction of a primary residence



Other Loan Rules

- May have two loans outstanding at same time if one is a residential loan and one is a general purpose loan*
- A valid or pending court order will prevent a loan disbursement
- There is a 60 day waiting period between the payoff of a loan before another like loan may be granted
- Loans are subject to spouses' rights
- When you leave Federal service with an outstanding loan balance, you will not be able to make a withdrawal from your TSP account until your loan is closed by either payment in full or the loan is treated as a taxable distribution



*Per TSP account (if applicable)

Invisible Costs of Loans

- When you take a TSP loan, you sacrifice the earnings that might have accrued on the borrowed money, had it remained in your TSP account
- Although you pay the loan amount back with interest, the amount of interest paid may be less than what you might have earned if the money had remained in your TSP account



Financial Hardship Withdrawals

The amount you withdraw from your account for a financial hardship must be limited to your financial need

To be eligible, your financial need must result from at least one of the following four conditions:

- Minimum withdrawal \$1,000
- May only withdraw your own contributions and earnings

Recurring negative monthly cash flow

Medical expenses that you have not yet paid and that are not covered by insurance

Personal casualty loss(es) that you have not yet paid and that are not covered by insurance

Legal expenses (such as attorneys' fees and court costs) that you have not yet paid for separation or divorce from your spouse

Financial Hardship Withdrawals



Will permanently reduce your retirement savings



Are subject to income taxes



May be subject to the IRS 10% early withdrawal penalty tax



Will cause a suspension to your TSP contributions for 6 months
(no contributions = no matching for FERS)



Are subject to spouse's rights



For more information on TSP Loans, see tsp.gov/planparticipation or the TSP booklet, "In-Service Withdrawals"

Age-Based In-Service Withdrawals

59½

Must be age 59½ or older

\$1000+

Minimum withdrawal is \$1,000; maximum is entire vested account balance

Employed

May only take one age-based withdrawal during active Federal service or as a member of the uniformed services

Taxes

Considered an eligible rollover distribution and subject to mandatory 20% Federal income tax withholding

Transfers

All or any portion may be transferred to an IRA or another eligible employer plan

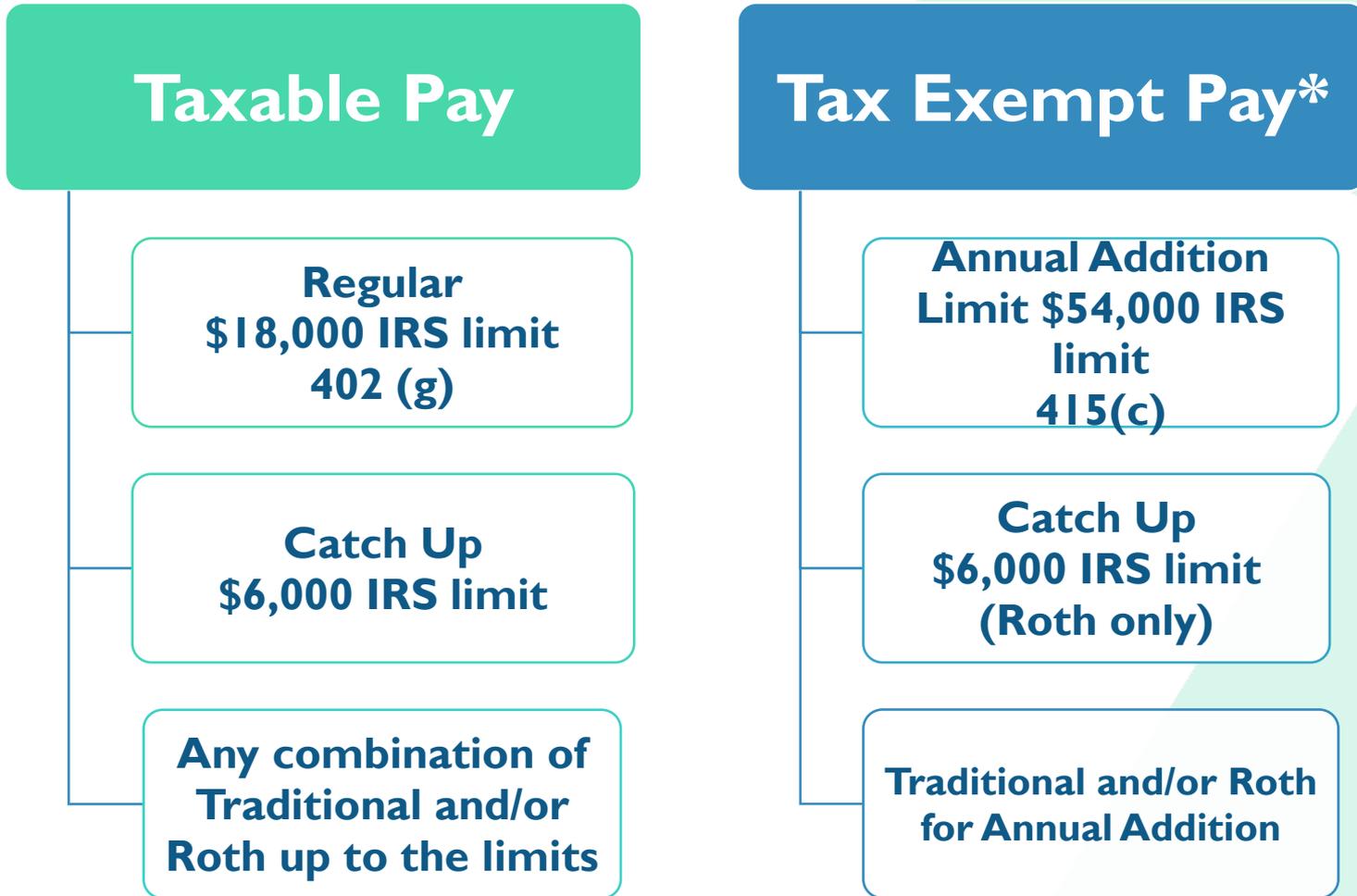
1 Time

Taking an age-based withdrawal renders you ineligible to receive a post-service partial withdrawal



For more information on TSP Loans, see tsp.gov/planparticipation or the TSP booklet, “In-Service Withdrawals”

2017 Uniformed Services Contribution Rules



Contribute 1% to 100% of basic pay

Plus any percentage from incentive, special, and bonus pay

* **Combat Zone Tax Exclusion Pay 415(c)**

