

Thrift Savings Plan Minds Your Savings Store

BY TOM GRAVES

FOR service members and their families, the retirement plan specialized to your needs is the Federally-operated Thrift Savings Plan.

The plan's features are specifically designed for service members who gain long-term benefits of contributing tax-exempt income.

The Thrift Savings Plan also accounts for retirement plans that contribute to both a civilian and a uniformed TSP account, making it optimum for reservists with federal government jobs or veterans employed in a federal government job after leaving the military.

TSP administrators plan to introduce a Roth IRA option for all Federal employees in 2011, said Tom Trabucco, director of external affairs for the Federal Retirement Thrift Investment Board, which manages the TSP.

Administrative costs for contributions are also substantially lower than private retirement plans. In 2009, contributors paid 19 cents or less per \$1,000 of invested income.

The maximum amount of regular employee contributions to the TSP is \$16,500 in 2009 and 2010. Catch-up contributions for service members 50 and older are up to \$5,500 for 2009 and 2010. Deployed service members can contribute tax-exempt combat pay which falls under a separate provision of the Internal Revenue Code – 415(c) – which raises the limit of total contributions to an account.

“When a uniformed service member contributes tax-exempt contributions, he or she also becomes subject to

another limit: the 415 (c) annual addition limit (\$49,000 for 2009 and 2010),” a TSP report states. “The TSP applies that limit to the total contributions made to the uniformed services and civilian TSP accounts for the year. ... The TSP will return any excess amount from the contributions you made to your uniformed services TSP account.”

The TSP offers participants the ability to choose among these funds ranging from government securities without risk of loss of principal to higher risk stock funds:

G Fund – Government securities specially issued to the TSP without risk of loss of principal money.

F Fund – Government, corporate and mortgage-backed bonds, with the objective of matching performance of the Barclays Capital U.S. Aggregate Bond Index.

C-Fund – Stocks of large and medium-sized U.S. companies, with the objective to match the performance of the Standard & Poor's 500 (S&P 500) Index.

S Fund – Stocks of small to medium-sized U.S. companies not included in the C Fund, with the objective to match the performance of the Dow Jones U.S. Completion TSM Index.

I Fund – International stocks of 21 developed countries, with the objective to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.

The TSP web site at www.tsp.gov has details on all funds, and is slated for a revamp with added interactivity and account access in May.



10-Year Summary of TSP Individual Funds Annual Returns

Year	G Fund %	F Fund %	C Fund %	S Fund %	I Fund* %
2000	6.42	11.67	-9.14	-15.77	-14.17
2001	5.39	8.61	-11.94	-9.04	-21.94
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	4.93	4.40	15.79	15.30	26.32
2007	4.87	7.09	5.54	5.49	11.43
2008	3.75	5.45	-36.99	-38.32	-42.43
2009	2.97	5.99	26.68	34.85	30.04
10-Year Compound	4.62	6.39	-0.94	1.69	1.10

* The returns shown reflect the actual performance of the S and I Funds for May 2001 and subsequent months. For the first four months of 2001 and for prior years, the returns shown for the S and I Funds reflect the performance of the Dow Jones U.S. Completion TSM Index and EAFE Index (without deduction of any administrative expenses, trading costs, or investment management fees), respectively.