July 2004

Thrift Savings Plan HIGHLIGHTS

Customer Service Updates

The ThriftLine hasn't changed — we've just made it more accessible! Participants can now call the ThriftLine **toll-free**. The new ThriftLine number is:

1-TSP-YOU-FRST
(1-877-968-3778)

We also have a new number for participants who use TDD services — 1-TSP-THRIFT5 (1-877-847-4385).

Use these new numbers from the 50 states, the Virgin Islands, Puerto Rico, and Canada. Other international callers should continue to call 504-255-8777 (not a toll-free number).

In addition, the TSP Service Office hours have been expanded to Monday through Friday, 7:00 a.m. – 9:00 p.m. eastern time.

Loan Program Changes

As previously announced, effective July 1, 2004, the TSP will deduct a $50 fee from the proceeds of each new loan.

In addition, you may have only one general purpose loan and one residential loan at a time. If you already have two general purpose loans, you did not have to pay one off by July 1, but you will not be able to replace it once it has been repaid.

Also, when you pay off one loan, you will not be eligible to apply for another loan of the same type for 60 days.

Visit the TSP Web site for more information.

How much do you need for retirement?

If you are looking forward to a long, busy retirement, doing the things that give you pleasure, do you know how much money you will need to make your plan a reality? Many people don't take the time to figure this out until mid-career, or even later. Consequently, at retirement, they find they have to change their expectations because they haven't saved enough. Don't let this happen to you. **Consider, Calculate, Review, and Revise.**

CONSIDER the factors that may affect your financial plan. For example:

- Financial experts suggest that you may need between 60% and 100% of your preretirement income, depending on your anticipated expenses in retirement and whether you plan to maintain your current lifestyle. You may need more than you think!
- Most people who retire at 65 can expect to live 20 years or more in retirement. If you plan to retire earlier, you will need even more resources.
- Your health care costs are likely to increase as you get older.
- Do you anticipate any large expenses that need to be considered, such as the purchase of a retirement home?
- Inflation will reduce your spending power. Over a 20- to 30-year retirement, this could be significant. Your money should remain invested — even during retirement — so your spending power can keep up with inflation.
- You will have to pay taxes on any tax-deferred amounts that you withdraw from your TSP account.

CALCULATE your anticipated expenses in retirement and your estimated savings. This is a crucial step if you are to make informed decisions about your future. Fortunately, there are many resources available to help you through this process, including:

- The Employee Benefit Research Institute and American Savings Education Council's joint Web site offers over 100 financial planning calculators and interactive tools, including the Ballpark Estimate Calculator — www.choosetosave.org.
- The TSP calculator, Projecting Your Account Balance — www.tsp.gov.

Other Information

- Free printed materials, U.S. Dept. of Labor, including *Top Ten Ways To Save for Retirement* (1-800-998-7542)
- Social Security Administration (SSA) — www.ssa.gov
- National Save For Your Future Campaign — www.saveforyourfuture.org
- Alliance for Investor Education — www.investoreducation.org
- Securities and Exchange Commission — www.sec.gov

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First, you should determine your anticipated expenses and calculate the percentage of your current income that you will need in retirement.

Next, review your current savings and other assets to see where you are now and, with your retirement date in mind, calculate the growth of your assets, including your TSP account.

Project the amount of your Federal pension, other pensions, and your Social Security payments (if you're eligible). Then calculate the amount of monthly income you can expect. The TSP withdrawal calculators can help you estimate payments from your TSP account.

Then determine the amount of additional savings you will need to accumulate in order to make up the difference in your monthly income.

When you put all the pieces together, you should be able to determine whether you will have enough money to last for your retirement years. If you need more help, consider using the services of a financial planner.

REVIEW and REVISE your retirement plan at least annually. If the numbers are not what you want them to be, what can you do to make up for a shortfall?

- Save more. The TSP is an important part of your retirement plan. If you are covered by **FERS**, make sure you are contributing **at least 5%** so that you receive all of the matching contributions. Make sure you are saving for your other needs also, so you don't need to tap your TSP account for nonretirement purposes.
- Review your investments and decide how much risk you are willing to take. (This topic will be addressed in the next *TSP Highlights*.)
- If you are over age 50 and already contributing the maximum amount of regular contributions, take advantage of catch-up contributions.
- Put additional money into IRAs.
- You may be able to consolidate your investments by moving your other eligible retirement savings into your TSP account to take advantage of the TSP's low administrative expenses.
- Revise your savings plan as needed so that you can reach your goals. Your retirement calculations should be dynamic.

WHAT ELSE can you do? Learn more about planning for retirement. Visit your public library, surf the Internet, and check out the mid-career and preretirement seminars offered by your agency or service.

Remember, it's better to end up with too much than too little!

Rates of Return

Year	G Fund	F Fund	LBA Bond Index	C Fund	S&P Index	S Fund	Wilshire 4500 Index	I Fund	EAFE Index
1994	7.2%	– 3.0%	– 2.9%	1.3%	1.3%	–	– 2.7%	–	7.8%
1995	7.0	18.3	18.5	37.4	37.6	–	33.5	–	11.3
1996	6.8	3.7	3.6	22.8	23.0	–	17.2	–	6.1
1997	6.8	9.6	9.7	33.2	33.4	–	25.7	–	1.5
1998	5.7	8.7	8.7	28.4	28.6	–	8.6	–	20.1
1999	6.0	– 0.8	– 0.8	21.0	21.0	–	35.5	–	26.7
2000	6.4	11.7	11.6	– 9.1	– 9.1	–	– 15.8	–	– 14.2
2001	5.4	8.6	8.4	– 11.9	– 11.9	– 2.2*	– 9.3	– 15.4*	– 21.4
2002	5.0	10.3	10.3	– 22.0	– 22.1	– 18.1	– 17.8	– 16.0	– 15.9
2003	4.1	4.1	4.1	28.5	28.7	42.9	43.8	37.9	38.6
Compound Annual Rates of Return 1994 – 2003									
	6.0	6.9	6.9	11.0	11.1	–	9.8	–	4.4
Monthly Returns for 2004									
Jan.	0.3	0.8	0.8	1.8	1.8	3.5	3.6	1.3	1.4
Feb.	0.4	1.1	1.1	1.3	1.4	1.8	1.8	2.2	2.3
Mar.	0.3	0.7	0.7	– 1.5	– 1.5	0.4	0.4	0.6	0.6
Apr.	0.3	– 2.5	– 2.6	– 1.5	– 1.6	– 3.9	– 4.0	– 2.3	– 2.3
May	0.4	– 0.5	– 0.4	1.4	1.4	1.5	1.5	0.3	0.3

The returns for the TSP funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, and I Funds, after deduction of trading costs and accrued investment management fees. The returns for the four indexes shown do not include any deduction for administrative expenses, trading costs, or investment management fees.

* The S and I Funds were implemented in May 2001; therefore, there are no returns for these funds for earlier periods. Returns shown for 2001 are for May through December.

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