Thrift Savings Plan HIGHLIGHTS

October 2008

Coming soon

The IRS will soon publish the 2009 contribution limits, which govern all contributions to the TSP. Check the TSP Web site, www.tsp.gov, to get this news as soon as it's announced.

On December 1, we'll post our 2008 end-of-year processing schedule on our web site. If you make a withdrawal at the end of December, this schedule could affect the year in which your distribution is taxed. Two hints to keep in mind: Want a December disbursement? Submit your request in early December. Want a 2009 disbursement? Submit your request after January 1.

Options for receiving annual statements

Concerned about getting your annual statement in the mail? Happy with just retrieving it on line? Then our new "opt-out" option is for you. Beginning in October, you can let us know that you don't want your annual statement mailed. Use the Account Access section of the TSP Web site or the Account Menu on the ThriftLine, or contact a TSP participant service representative.

Your opinion counts!

We may select you for our next TSP participant survey. Look for the survey in the coming months.

It's smart to stay in for the long haul

There are some days when the stock or bond market's performance makes you want to cry. Crying's okay — you have lots of company. But abandoning a sound strategy to save for your retirement is not! Impulsively jumping out of the F, C, S, I, or L Funds when markets fall can undermine your carefully planned retirement goals. And this is particularly true of the L Funds, where their diversification provides a hedge against unpredictable markets.

The best overall approach to saving for retirement is to start early and establish a diversified investment strategy appropriate for your tolerance for risk and the amount of time you have before you need to withdraw your funds. Then stick with that strategy. Whether you manage your account yourself or let the L Funds do it for you, forsaking your long-term plan midstream may throw you off course — and ultimately cost you retirement dollars.

Here are three reasons not to bail out:

First of all, historically, the stock and bond markets have always rebounded over time. So if you keep your money in the market, it will eventually recover and continue to grow. But if you jump out of the stock or bond funds into the G Fund, you lock in your losses — and you aren't poised to reap the rewards when waning markets go back up.

If you feel you're too close to retirement to "lose all this money," before you leap, reassess your strategy. Was your investment mix too aggressive to begin with? (Take a look at the L Funds for a sanity check — their allocations are posted on the TSP Web site.) And when do you think you'll really need the money from your TSP account? It's possible you have more time left than you think — particularly if you plan to take monthly payments from your account.

Then, there are advantages to a down market — all those shares you're buying are virtually on sale. And that is the **second** reason to stay the course. If you keep contributing, your contributions will buy more shares in the TSP funds when markets are low. Later, when share prices eventually increase, your shares (and your account balance) will be worth more. So instead of crying, you may want to smile.

Finally, if you are tempted to jump to the G Fund with the intention of jumping back into the more volatile funds when the markets go back up again, that's "market timing," which even the professionals say is impossible to do with assurance. Instead, keep in mind the **third** reason not to bail out (or even worse, stop contributing): the staid, but effective approach of "dollar cost averaging." When you invest fixed amounts in specific investments at regular intervals, as you do when you contribute to the F, C, S, I, and L Funds (but not the G Fund), your money buys more shares when prices are lower and fewer shares when prices are high. Over time, the average cost of your shares should be lower than it would be if you tried to time the markets. The bottom line: a lower average cost translates to your reaping more gains. And to get that advantage from dollar cost averaging, you need to stay in the markets, regardless of their highs and lows.

Of course, if you're very close to retirement and plan to withdraw all your money right away, you need to be more conservative. But if you're younger, you have the luxury of time. The younger

(Continued on back)

Stay in for the long haul *(Continued from front)*

you are, the more aggressive you can be (within reason) because you'll have the opportunity to ride out the markets, taking advantage of their ups and downs.

One final note: If you aren't certain that your investment strategy is right for you, now's the time to act. Check out the L Funds — they're professionally designed for participants who don't have the time, experience, or desire to manage their own investment strategies. Even in this down market, their automatic rebalancing to their assigned investment mixes takes advantage of market movements. Alternatively, check with a financial planner or do your own homework. The most important step you can take is to make sure your investment strategy is the right one for you. After all, if you're staying in for the long haul, you want to be sure you're heading in the right direction!

Time to reward yourself

This October 19 through 25, America is observing "National Save for Retirement Week," and, by participating in the TSP, you're part of the celebration. Use this occasion to review your investment strategy and make sure it's still on track.

In fact, if you're going to get a cost of living increase in January, this is a good time to think about increasing your TSP contributions. If you put even one percent of your pay increase into the TSP, you'll still see more money in your net pay. But you'll also accrue earnings over time on the portion you contribute, so you'll have even more money in the future. And, if you're a FERS employee and you're not contributing enough to get the full TSP match right now, contributing more will also provide an excellent opportunity to get additional free money. Remember, your agency matches the first three percent of pay that you contribute dollar for dollar, and the next two percent at $.50 per dollar!

If you're not contributing, now's the time to make a positive move toward getting ready for retirement. And if you are contributing, this is the perfect time to give yourself a pat on the back for saving to prepare for your financial future. Take note of the amount you've saved through the TSP since you started your contributions and be proud of your achievement. You've earned it!

Rates of Return

	L 2040	L 2030	L 2020	L 2010	L Income	G Fund	F Fund	C Fund	S Fund	I Fund
Monthly 2008										
Jan	– 5.37%	– 4.71%	– 3.90%	– 2.07%	– 0.97%	0.33%	1.76%	– 5.98%	– 6.27%	– 8.52%
Feb	– 1.80	– 1.51	– 1.25	– 0.59	– 0.22	0.24	0.16	– 3.28	– 2.05	– 0.66
Mar	– 0.29	– 0.18	– 0.06	0.07	0.23	0.32	0.33	– 0.46	– 1.43	0.18
Apr	4.26	3.74	3.23	1.93	1.20	0.24	– 0.16	4.94	5.30	5.55
May	1.65	1.48	1.23	0.78	0.59	0.32	– 0.74	1.27	4.88	1.09
June	– 6.70	– 5.88	– 4.97	– 2.65	– 1.47	0.32	– 0.08	– 8.41	– 7.63	– 8.15
July	– 1.31	– 1.07	– 0.82	– 0.23	0.00	0.40	– 0.01	– 0.80	– 0.79	– 3.72
Aug	0.11	0.17	0.16	0.29	0.35	0.33	0.92	1.46	2.17	– 4.16
Annual 1998 – 2007										
1998	–	–	–	–	–	5.74%	8.70%	28.44%	–	–
1999	–	–	–	–	–	5.99	– 0.85	20.95	–	–
2000	–	–	–	–	–	6.42	11.67	– 9.14	–	–
2001	–	–	–	–	–	5.39	8.61	– 11.94	–	–
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	16.53	15.00	13.72	11.09	7.59	4.93	4.40	15.79	15.30	26.32
2007	7.36	7.14	6.87	6.40	5.56	4.87	7.09	5.54	5.49	11.43

The returns for the TSP Funds represent net earnings after deduction of accrued administrative expenses and, in the cases of the F, C, S, I, and L Funds, after deduction of trading costs and accrued 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 Web site.

The L 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. The S and I Funds were implemented in May 2001; therefore, there are no annual returns for these funds for years before 2002.

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