

THRIFT SAVINGS PLAN - TSP

CONTRIBUTIONS

The legislation providing the Thrift Savings Plan (TSP) is included in the Federal Employees Retirement System Act. However, Civil Service Retirement System (CSRS) employees may participate, limited to deposits up to the following limits of base annual pay with no matching Government contributions. As of January 1, 2006 the contribution based on a specified percent of an employee's base annual wage has been dropped in favor of a "Flat" contribution. The stated "Flat" contribution can be in even dollar amounts from zero to a maximum limit set by the IRS at the beginning of each calendar year. The IRS has set the 2007 maximum limit at \$15,500.00.

FERS employees can contribute up to the maximum limit of their base pay. The Government will automatically contribute 1% of pay into each FERS employee's account. FERS employees, who contribute to the TSP, can receive up to 4% more in agency matching contributions, dollar for dollar on the first 3% and fifty cents on the dollar on the next 2%, for a maximum government contribution of 5%, depending upon the amount of the employee's contribution. This specified dollar amount cannot be exceeded in any one calendar year (see page 20 for current limits of contribution).

All TSP participants are always vested in their own contributions and the earnings on their contributions. FERS participants are also vested in the matching contributions, as well as in the earnings on the matching contribution. Most FERS employees become vested in their Agency Automatic (1%) Contributions after they complete three years of federal civilian service. An employee who leaves government service before satisfying the vesting requirement for Agency Automatic (1%) Contributions, forfeits these contributions and the accumulated earnings. If an employee dies before separating, all amounts in the TSP account will be vested automatically.

Once an employee retires or leaves service, he or she may continue to leave the funds within their TSP account. (see Withdrawal Options for specific details.) Deposits can be transferred between funds until you are required to make a decision on the funds disposition. You may not make additional deposits, partially withdraw funds, or apply for loans once you have left government service or retire.

INVESTMENT FUNDS

After an employee decides how much they want to invest in the TSP, they choose how they want their account invested. CSRS/FERS employees currently have six possible investment options.

G FUND; Government Securities Investment Fund is a short term, non-marketable U. S. Treasury securities that carries an interest rate based on intermediate and long-term Treasury securities fund.

F FUND; Fixed Income Index Investment Fund is a fixed income index fund that tracks the performance of the major sectors of the U. S. bond market, U. S. Government, corporate bonds and mortgage-backed securities.

C FUND; Common Stock Index Investment Fund is a common stock index fund that tracks the overall performance of the U. S. stock market as measured by Standard & Poor's 500 Stock Index.

S FUND; Small Capitalization Stock Index Investment Fund tracks the Wilshire 4500 Index. The Wilshire 4500 Index actually tracks 6500 small to medium size companies. These companies comprise the broadest measure of U. S. stocks including the S & P 500. The S-Fund will tend to be more aggressive than the C-Fund.

I FUND; International Stock Index Investment Fund: tracks the Morgan - Stanley EAFE Index. The M & S EAFE Index tracks about 1100 of the most widely traded stocks in 20 countries. Participating markets include Europe, Far East, Australia and Asia. The I-Fund does not include any domestic companies and will tend to be the most aggressive fund in the TSP portfolio.

L FUND; or Lifecycle Funds is not a new fund, but rather it is an investment strategy. This strategy will diversify participant accounts among the G, F, C, S and I funds, using professionally determined investment allocations that are tailored to different time horizons. Each quarter the fund allocation adjusts to a more conservative mix, as the time horizon shortens. The L Fund allows participants with a choice of five different allocations; L2040: allowing for high growth with very low preservation of assets, L2030: allowing for high growth with low preservation of assets, L2020: allowing for moderate/high growth with low preservation of assets, L2010: allowing for moderate growth with moderate preservation of assets and L Income: allowing for low growth with high preservation of assets. In dealing with the L Fund, choices are not made based on risk, but rather than the amount of time remaining to retirement, or your "Time Horizon". The following can be used as a guideline in determining the proper allocation; L2040 for over 30 years, L2030 for 20 to 29 years, L2020 for 10 to 19 years, L2010 for 4 to 9 years. L Income for 3 years or less.

NOTE: *As a general rule the G Fund is the safest and most predicible. Its returns shift as interest rates change, but there is virtually no risk of capital loss. The F Fund occupies a stature on the mildest side of risk and opportunity. It has a potential for higher returns than the G Fund, but with a moderate degree of market fluctuation and risk. The C, S and I Fund offers the participant with the potential for substantially higher growth, but is subject to frequent and sudden fluctuations in the stock market and involves the greatest degree of risk and potential for capital loss (see page 6 for "Interest Rate History and Performance).*

CATCH-UP CONTRIBUTIONS

On November 27, 2002, the President signed Public Law 107-304, which permits eligible Thrift Savings Plan (TSP) participants to make catch-up contributions into their accounts beginning during or after the year in which they turn age 50.

Eligibility

To be eligible to make catch-up contributions, a participant must be:

- Age 50 or older during the calendar year in which the catch-up contributions are made even if the participant becomes age 50 on December 31 of that year.
- Currently employed and in pay status.
- Contributing the maximum TSP "Flat Dollar" contribution, rounded either up or down, allowed by his or her retirement coverage, or contributing an amount that will cause him or her to reach the Internal Revenue Service (IRS) elective deferral limit by years end, or their retirement date, whichever comes first.

A participant who is in a 6-month suspension period after making a financial hardship withdrawal is not eligible to make catch-up contributions during that time.

Contributions

Catch-up contributions are supplemental tax-deferred employee contributions which are in addition to regular contributions. These supplemental contributions can be made by participants age 50 or older who would like to make contributions above the maximum amount they could otherwise make to the TSP. There are no agency or service matching contributions on catch-up contributions.

If you are otherwise eligible, you can contribute up to the annual maximum dollar amount allowed by the IRS. Catch-up contributions have an annual IRS limit, just as regular contributions have an annual IRS elective deferral limit.

Catch-up contributions can only be made from basic pay. Bonuses cannot be applied toward catch-up contributions. Because catch-up contributions are supplemental, they do not count against either the regular TSP contribution limits or the IRS elective deferral limit. However, the combination of regular and catch-up TSP contributions can exceed the total IRS contribution limit for the year. For example, for 2007, your contributions can exceed \$15,500 (i.e., the \$15,500 elective deferral limit on regular TSP contributions, plus the \$5,000 catch-up contribution limit equals \$20,500). See the chart that follows for the limits on regular tax-deferred and catch-up contributions. Contributions are applied to the year of the pay date for which they are made. For example, if a catch-up contribution with a December 31, 2006 pay date is received by the TSP on January 2, 2007, it applies to the 2006 limit.

NOTE: When they are received, catch-up contributions are allocated to your account according to your most current contribution allocation on file with the TSP. You cannot make a separate contribution allocation for catch-up contributions. Once they are in your TSP account, they become part of your account balance and are subject to the same rules as any other tax-deferred employee contributions. For example, they are immediately vested. An inter-fund transfer has the same effect on them as on the rest of the money in your account. They are available for loans and in-service withdrawals, and spousal rights apply.

Limits

YEAR	TSP LIMIT		IRS LIMITS		
	FERS Limits	CSRS Limits	REGULAR Contributions*	CATCH-UP Contributions	TOTAL Contributions
2004	14%	9%	\$13,000	\$3,000	\$16,000
2005	15%	10%	\$14,000	\$4,000	\$18,000
2006	No Limits		\$15,000	\$5,000**	\$20,000
2007	No Limits		\$15,500	\$5,000	\$20,500
2008	No Limits		\$15,500	\$5,000	\$20,500

* For uniformed services participants, this includes incentive pay and special pay, including bonus pay.

** After 2006, this amount will be subject to increases to reflect inflation.

Catch-up contributions can be made only through payroll deductions. This is because they are made before Federal and in most cases state taxes are deducted. To make catch-up contributions, you must submit Form TSP-1-C, Catch-Up Contribution Election to your payroll or personnel office. Indicate the dollar amount you would like to contribute each pay period. You can obtain Form TSP-1-C from your agency or service or from the TSP Web site (www.tsp.gov) or go to the "Government Forms" tab. If your agency or service uses an electronic version of the Catch-Up Contribution Election form (e.g. on Employee Express, PostalEase, or MyPay), you should submit your election electronically. Check with your agency or service to see if it uses an electronic version.

Electing A Catch-Up Contribution

You can make your election at any time. Your election will become effective the first full pay period following your agency's or service's receipt of the election. The election will only be valid through the end of the calendar year in which it is made. This means that you will have to submit a new Form TSP-1-C if the contribution is for your uniformed services account for each year. Your contributions will continue until the end of the calendar year unless you reach the annual catch-up contribution limit before that time or you elect to stop making catch-up contributions.

To stop making catch-up contributions, complete Form TSP-1-C indicating that you want these contributions to stop. You can restart your contributions at any time. There is no waiting period for restarting catch-up contributions. Once you stop catch-up contributions, they will not resume automatically. You will have to complete another election form to start these contributions again. In addition, if you stop making regular contributions to your account or if you go into nonpay status, your contributions will also stop. If you want to resume your contributions (i.e., when you return to pay status), you *must* submit a new election.

NOTE: *If you are a Reservist who is also a Federal civilian employee and you are called to active duty, you will be subject to the Uniformed Services Employment and Reemployment Rights Act (USERRA). Under USERRA, you can elect to make up contributions to your civilian TSP account when you return from active duty. (For more information about USERRA and make-up contributions, see the Fact Sheet, TSP Benefits that apply to members of the military who return to Federal civilian service.)*

OPEN SEASON

As of July 1, 2005 contributions will be processed under the new law, that is, the elections must be made effective on the first full pay period after they are selected. New employees may begin participation during the first open enrollment of the year following their employment date, see PL 106-361 below.

PL 106-361 CHANGES RULES GOVERNING PARTICIPATION IN TSP

Public Law 106-361 has elicited two important changes to the rules currently governing TSP procedures.

- 1) Provides for the immediate participation in the TSP for newly hired or rehired employees. This provision applies to employee contributions only. Agency contributions will remain on the current open season waiting period schedule, which is:

If You Are Employed	You Can Begin Contributions	One % will Start
January through June	The following November 15 through January 31	The first full pay period in January
July through December	The following May 15 through July 31	The first full pay period in July

- 2) Permits the Thrift Savings Program to accept rollovers from qualified retirement plans set up by a previous employer. These plans are limited to pension, profit sharing, stock bonus plans, 401(k) plans and conduit IRA's. A conduit IRA is a traditional "Qualified Account". It is a regular IRA that has accepted transfer monies from a 401(k) or pension. In order to qualify, the account cannot have received any additional deposits or contributions. The acceptance of any additional contributions or rollovers will disqualify this account as a conduit IRA. Rollovers from a regularly established IRA will not be allowed. This benefit has been available to employees since mid-2001.

TAX BENEFITS

Contributions to the TSP are made pre-tax. For example, if you had a gross bi-weekly income of \$1,500 you would be in a 28% tax bracket. This means you were paying \$420.00 in Federal Tax and \$114.75 in Social Security Tax (7.65%). If you contributed 5% into your TSP account, you would deposit 75.00 per pay. This contribution would give you an adjusted gross income of \$1,425.00 for tax purposes. Your Federal Tax would now be \$399.00 and Social Security would now be \$109.01 per pay. This equates to a reduction in taxes equal to \$26.74 per pay or \$695.24 per year. State and local taxes are not affected by TSP contributions.

**EMPLOYEE BENEFIT
ADVISORS, INC.**

TSP INTEREST RATE HISTORY AND PERFORMANCE

1987 was the first year for the C and F funds; the G fund began investment opportunity a year earlier. S and I funds became available in May, 2001.

	C Fund Return	F Fund Return	G Fund Return	S Fund Return	I Fund Return	Funds Average
1988	11.84%	03.63%	08.81%	-	-	08.09%
1989	31.03%	13.89%	08.81%	-	-	17.91%
1990	-3.15%	08.00%	08.90%	-	-	04.58%
1991	30.77%	15.75%	08.15%	-	-	18.22%
Average 89-91	19.55%	12.55%	08.62%	-	-	13.57%
1992	07.70%	07.20%	07.23%	-	-	07.38%
1993	10.13%	09.52%	06.14%	-	-	08.60%
1994	01.33%	-02.96%	-07.22%	-	-	-02.95%
Average 92-94	06.39%	04.59%	02.05%	-	-	04.34%
Change from 89-91	-13.16%	-07.96%	-06.57%	-	-	-09.23%
1995	37.41%	18.31%	07.03%	-	-	20.92%
1996	22.85%	03.66%	06.72%	-	-	11.09%
1997	33.17%	09.60%	06.77%	-	-	16.51%
Average 95-97	31.14%	10.52%	06.84%	-	-	16.17%
Change from 92-94	24.76%	05.94%	04.80%	-	-	11.83%
1998	28.44%	08.70%	05.74%	-	-	14.29%
1999	20.95%	-0.85%	05.99%	-	-	08.70%
2000	-9.14%	11.67%	06.42%	-	-	02.98%
Average 98-00	13.42%	06.51%	06.05%	-	-	08.66%
Change from 95-97	-17.73%	-4.02%	-0.80%	-	-	-07.51%
2001	-11.89%	08.61%	05.39%	-09.04%	-21.94%	-05.78%
2002	-22.05%	10.27%	05.00%	-18.14%	-15.98%	-08.18%
2003	28.54%	04.11%	04.11%	42.92%	37.94%	23.52%
Average 01-03	-01.82%	07.66%	04.83%	07.52%	02.18%	03.19%
Change from 98-00	-15.22%	-01.15%	-01.94%	-	-	-05.47%
2004	10.82%	04.30%	04.30%	18.03%	20.00%	11.49%
2005	04.96%	02.40%	04.49%	10.45%	13.63%	07.19%
2006	15.79%	04.40%	04.93%	15.30%	26.32%	13.35%
Average 04-06	10.52%	03.70%	04.57%	14.59%	19.98%	10.67%
Change from 01-03	12.34%	-03.96%	-00.26%	09.35%	19.98%	07.49%
Average 1988-2006	13.13%	07.38%	05.67%	09.92%	10.00%	09.22%

LOANS

Employees may not withdraw their funds from the TSP while still employed by the Federal Government. There is, however, a loan program available which allows employees to borrow from their TSP.

Purchase of a Primary Residence

You may borrow from your account to help finance a house, condominium, cooperative unit, townhouse, houseboat or mobile home. You must be buying or building your residence. You cannot use your TSP loan to renovate, refinance or prepay an existing mortgage. Interest cannot be tax deductible and loans may not be available by a specified closing date.

General Purpose

Loans generally cover major expenses associated with education, such as tuition, books and housing at a primary or secondary college or graduate school. Medical expenses generally recognized as deductible for federal income tax purposes, are doctor and hospital bills, dental fees, prosthetic devices and prescribed medicines and medical supplies. If your regular monthly expenses exceed net monthly income, after taxes and retirement deductions, you will generally qualify for hardship withdrawals.

Financial Hardship Withdrawal

Can also be defined as unforeseen events that suddenly and significantly worsen your household's financial situation. Such events could include: major uninsured losses, your spouse losing their job, or a disabling illness or injury that abruptly changes your family's income. You will be required to document that your normal monthly expenses exceed your net monthly income, or for any other reason acceptable to the loan committee. You will not be able to participate in TSP or Catch-Up contributions after taking out a Hardship Withdrawal.

Cost of Loans

\$50.00 for each loan. For an account to qualify, employees must have at least \$1,000 in contributions and earnings in the plan in order to apply for a loan. The minimum loan is \$1,000 and the maximum is \$50,000. This must be repaid through payroll deductions. Repayment, including interest, is credited to employee's TSP account. The rate of interest for the loan will be the G Fund rate at the time the application is received. You can have two loans outstanding at the same time, unless your first loan was for financial hardship. Pre-payment may be made at anytime. Loan repayment periods are from 1 to 5 years except in the case of a residential loan, where the term is from 1 to 15 years. You must repay the loan through substantially equal payroll allotments every pay period. You do have the option of repaying the entire outstanding account balance or shortening or lengthening the original payment period once during the term of the loan—partial payments are not allowed. You cannot stop or temporarily suspend your loan payments unless you enter a non-pay status. If this occurs and loan payments are not made for more than 90 days, you must either amortize the loan or repay the entire remaining balance.

To estimate your payment, multiply the figures by the amount of your loan, using thousands of dollars.

Example: If applying for an \$8,000 loan, with payments of 4 years and an interest rate of 7%, calculation for your loan payments would be: 11.05 (see chart on page 8: (A) times 8 (for 8,000) or \$88.40 per pay). To estimate your loan payments for other than bi-weekly, find the appropriate loan term and interest rate, and then multiply the payment by the factor of your pay schedule.

Weekly (52 times/year)	Multiply by 0.50
Semi-Monthly (24 times/year)	Multiply by 1.08
Monthly (12 times/year)	Multiply by 2.17

APPROXIMATE LOAN PAYMENTS PER \$1,000 BORROWED 26 PAYMENTS PER YEAR					
Years to Repay	TSP Loan Interest Rate				
	6%	7%	8%	9%	10%
01	\$39.75	\$39.95	\$40.15	\$40.35	\$40.60
02	20.45	20.65	20.85	21.10	21.30
03	14.05	14.24	14.45	14.65	14.90
04	10.85	11.05	11.25	11.50	11.75
05	8.95	9.15	9.35	9.60	9.80
06	7.65	7.85	8.10	8.30	8.55
07	6.75	6.95	7.20	7.45	7.65
08	6.05	6.30	6.55	6.75	7.00
09	5.55	5.75	6.00	6.25	6.50
10	5.10	5.35	5.60	5.85	6.10
11	4.80	5.00	5.25	5.50	5.80
12	4.50	4.75	5.00	5.25	5.50
13	4.25	4.50	4.75	5.05	5.30
14	4.05	4.30	4.55	4.85	5.10
15	3.90	4.15	4.40	4.70	4.95

MAXIMUM TSP LOAN AMOUNTS		
Your Contributions and Earnings Are	Your Vested Account Balance Is	You Can Borrow Up To
Less than \$1,000	Any Amount	Not Eligible for Loan
\$1,000-\$10,000	Any Amount	All Contributions and Earnings
\$10,000 or More	Less than \$20,000	\$10,000
\$10,000 or More	\$20,000 to \$100,000	The Smaller Of: 100% of Contributions and Earnings or 50% of the Vested Balance
\$50,000 or More	\$100,000 or More	\$50,000

WITHDRAWAL OPTIONS AT AGE 55 OR AFTER

If you separate from service or retire during or after the year in which you reach the age of 55, you will not be subject to a penalty tax on any of the withdrawal options you select. However, there is a mandatory 20% Federal income tax withholding on all disbursements that you receive directly, even, in some cases, if you choose the rollover option. An employee's withdrawal options depend on their eligibility for basic CSRS or FERS retirement benefits, disability retirement, or certain workers' compensation benefits and the size of the account balance. If an employee retires at age 55 or above, the IRS has granted certain tax favorable treatment. Please remember that if

an employee retires on other than a disability retirement and withdraws the account balance in a partial withdrawal or is below 55, the IRS will impose a 10% penalty on all monies received on all amounts received before age 59½.

Option 1

If the vested account balance is \$3,500 or less (regardless of eligibility for retirement), the account balance will be paid to the separated employee automatically in a single payment, UNLESS another withdrawal option for which the person is eligible is chosen. This is called an "Automatic Cashout."

Option 2

If you do not want to withdraw your account when you leave Federal service, you can leave your entire balance in the TSP. However, you must withdraw your entire balance in a single payment, or begin receiving monthly payments from the TSP or from the TSP vendor, through an Individual Retirement Annuity by April 1st of the year following the year you turn 70½ (or your attained age when you separate from service, if you are already over 70½). Beginning in 1998, if you do not make a withdrawal election by the required deadline, your TSP must be paid to you in the form of an annuity, as required by law. If you do not provide enough information for the TSP Administration to purchase an annuity for you (and your spouse, if applicable), your account will be declared abandoned. You may later reclaim your account and make an appropriate election, however, you will receive no earnings from the date your account was declared inactive. In addition to the loss of income, the IRS may impose a 15% penalty for failing to meet the minimum distribution requirements as defined by the Internal Revenue Service Code and illustrated in Publication 721 and 575.

Option 3

You may transfer your balance to an IRA or other eligible retirement plan. Under certain circumstances transferring your money to an Individual Retirement Account (IRA) may be advantageous. There are IRS codes that govern the transfer of money from one qualified account to another. The most important item to remember is that the account must be "qualified," that is, it must meet the tax laws that govern tax deferral and tax deductibility. Not all annuities are "qualified," and therefore are not eligible to receive rollover deposits. If the account balance is sent directly to you, you must redeposit an amount equal to the withdrawal within 60 days of receiving your balance. If this is not done, the account balance will be treated as a withdrawal and taxed accordingly. Even if you have not reached the age of 59½, the full amount of the rollover will never be subjected to a 10% pre-mature withdrawal penalty.

Option 4

You can elect to specify the method of distribution. You can specify either the amount or the length of time you wish to receive your account balance. If you are under 55 at the time this option is elected, you will be subject to the 10% premature redemption penalty for all amounts received up to the previously stated age. You should consider the importance of your TSP income before electing any option. Some options, like this one, will either limit the amount you will receive on a monthly basis or limit the time you will receive your income. For example, if you choose a specified amount, it is possible to out-live the income. This would leave you with only two of the three components of retirement for the remainder of your life.

Option 5

You may elect to receive your TSP account in a single lump sum amount. All revenue received through your TSP account must be claimed as income in the year that you receive the distribution. Since all earnings are combined to establish your income tax level, large increases could cause your tax bracket to be substantially increased.

OPTIONS UNDER TSP THAT ARE NEVER SUBJECT TO PENALTY

A retiring federal employee may choose to elect a retirement option directly from their TSP account. If this option is elected, and the retiring employee wants to be ensured that they will not suffer any adverse tax consequences then the following viable options apply.

It should be noted, however, that any type of disbursement would always be subject to current taxation, both principal and interest. The deposits, interest and matching funds, if any, have never been included in any of your tax computations. If a "Lifetime Annuity" is elected, The Thrift Savings Plan Administrators will purchase an annuity from a contract company. Currently this company is Metropolitan Life Insurance Company of New York.

Option 1

You may choose to receive disbursements from your account in a series of substantially equal payments paid through "Life Expectancy". Currently life expectancy is defined by the IRS, (see page 12 for "IRS Actuarial Tables"). Life expectancy is determined to be the average length of time an individual will live from birth to death. The difference between this and a "Specified Amount" option is that the IRS will determine monthly income. Monthly income will be calculated by establishing life expectancy, and dividing that factor into your account balance and then dividing by 12 months.

Example: A female age 53 with an account balance of \$58,000 and elected this option the calculation would be as follows:

$$53 \text{ equals a life expectancy of } 27.1 \text{ years (page 12), } \$58,000 \div 27.1 = \$2,140.22 \\ \div 12 = \$178.35.$$

Note: *Payments will be recalculated each year as a new "Life Expectancy Factor" is established.*

If at age 59½ you would want to change your option to another form of payment, you would not suffer the 10% pre-mature distribution penalty, even though you were younger than 59½ at the time of election. This is because you did not "annuitize" your account; you simply elected to receive a payment directly from your TSP account. Options elected after age 59½ are never subjected to the 10% penalty. (see page 13 for the IRS ruling on "Payments Through Life Expectancy".)

Option 2

Annuity Options under TSP. (see page 14 for details.)

Option 3

Annuity Options under IRA transfer. (see page 17 for details.)

Periodic Payment

The following types of payments are considered Periodic Payments.

- Monthly payment when the account is expected to be paid out in 10 years or more.
- Monthly payments computed according to the IRS Life Expectancy Table.
- Payments you receive from an annuity TSP purchases for you.

Withholdings for periodic payments is based on the assumption that the recipient is married and claiming three withholding allowances. The recipient may elect a different amount by completing an IRS form W-4P.

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IRS ACTUARIAL TABLES								
Ages		Factors	Ages		Factors	Ages		Factors
Male	Female		Male	Female		Male	Female	
06	11	65.0	41	46	33	76	81	9.1
07	12	64.1	42	47	32.1	77	82	8.7
08	13	63.2	43	48	31.2	78	83	8.3
09	14	62.3	44	49	30.4	79	84	7.8
10	15	61.4	45	50	29.6	80	85	7.5
11	16	68.4	46	51	28.7	81	86	7.1
12	17	59.5	47	52	27.5	82	87	6.7
13	18	58.6	48	53	27.1	83	88	6.3
14	19	57.7	49	54	26.3	84	89	6.0
15	20	56.7	50	55	25.5	85	90	5.7
16	21	55.8	51	56	24.7	86	91	5.4
17	22	54.9	52	57	24.0	87	92	5.1
18	23	53.9	53	58	23.2	88	93	4.8
19	24	53.0	54	59	22.4	89	94	4.5
20	25	52.1	55	60	21.7	90	95	4.2
21	26	51.1	56	61	21.0	91	96	4.0
22	27	50.2	57	62	20.3	92	97	3.7
23	28	49.3	58	63	19.6	93	98	3.5
24	29	48.3	59	64	18.9	94	99	3.3
25	30	47.4	60	65	18.2	95	100	3.1
26	31	46.5	61	66	17.5	96	101	2.9
27	32	45.6	62	67	16.9	97	102	2.7
28	33	44.6	63	68	16.2	98	103	2.5
29	34	43.7	64	69	15.6	99	104	2.3
30	35	42.8	65	70	15.0	100	105	2.1
31	36	41.9	66	71	14.4	101	106	1.9
32	37	41.0	67	72	13.8	102	107	1.7
33	38	40.0	68	73	13.2	103	108	1.5
34	39	39.1	69	74	12.6	104	109	1.3
35	40	38.2	70	75	12.1	105	110	1.2
36	41	37.3	71	76	11.6	106	111	1.0
37	42	36.5	72	77	11.0	107	112	.8
38	43	35.6	73	78	10.5	108	113	.7
39	44	34.7	74	79	10.1	109	114	.6
40	45	33.8	75	80	9.6	110	115	.5

PENSION PLAN COMPARISON CHART			
Description	IRA-IRC 408	401 (k)	Nonqualified Deferred Compensation
Qualifications for Plan and Contribution Characteristics	Anyone under age 70½ with earned income can contribute to an IRA. Full deduction if taxpayer is not actively participating in an employer-maintained retirement plan.	An employee of a firm that offers this plan is eligible. Must be age 21 with one year of service, 1,000 hrs.	An employee of a company that offers this plan. Contributions are not deductible until included in the employee's taxable income. Employer can discriminate in favor of key employees.
Maximum Contributions Allowable	Each spouse can contribute up to an annual limit, or his or her earned income amount, whichever is less. A non-working spouse can also put up to a specified annual limit into a Spousal IRA.	Employee elective deferrals subject to a specified annual limit.	No limits
Penalties for Early Withdrawal Before Age 59½	10% of distribution (see exceptions)	10% of distribution (see exceptions)	None
Age at Which Withdrawals Must Begin	70½ (Footnote I)	70½, or year of retirement.	N/A
Date to Start Plan and Make Contributions	Tax filing date no extensions.	December 31 to establish plan. For employer contributions, tax filing date including exception, (Footnote II)	December 31

EXCEPTIONS TO EARLY WITHDRAWAL PENALTIES BEFORE AGE 59½

Code Section Exception

- 72(t)(2)(A)(ii) Distribution made after death of the employee.
- 72(t)(2)(A)(iii) Distribution made due to disability.
- 72(t)(2)(A)(iv)(t) Distribution is part of a series of substantially equal periodic payments made over the life expectancy of the participant and the beneficiary.
- 72(t)(4)(A) Once annuity form of payment is elected; it cannot be switched until five years have elapsed or until age 59½ ,whichever is longer. If payment method is switched before that time, penalty tax will apply to all payments received before age 59½ as if exception never applied.

Footnotes	
(I)	A worker over age 70½ may contribute up to \$6,000 to the IRA of a non-working spouse, if the non-working spouse is not yet age 70½.
(II)	Employee elective deferrals must be withheld from wages by December 31.

RETIREMENT OPTIONS UNDER TSP

If you elect to receive a life annuity or defer its purchase until later, there are 18 different annuity options you have to choose from. The options are as follows:

SINGLE LIFE	
With Level Payments No Additional Features	Payments are made to the retired employee only. With 10 yr. certain feature, beneficiary is guaranteed to receive excess funds if annuitant dies in the first 10 years.
With Cash Refund	Payments are made to retired employee and then a named beneficiary, if annuitant dies, as long as there are excess funds available.
SINGLE LIFE	
Increasing Payments No Additional Features	Payments are made to the retired employee only. Payments will increase at an established rate.
With Cash Refund	Payments are made to retired employee and then a named beneficiary, if annuitant dies, as long as there are excess funds available. Payments will increase at an established rate.
With 10 year Certain Feature	Beneficiary is guaranteed to receive excess funds if annuitant dies in the first 10 years. Payments will increase at an established rate.
JOINT LIFE WITH SPOUSE	
With Level Payments 100% Survivor Benefit	Payments are made to the retired employee first, then 100% to the spouse survivor, which can be either the spouse or the annuitant.
With Cash Refund	Spouse or the employee. If both recipients were to die before the funds were exhausted, a named beneficiary would receive the excess funds in a lump sum.
With 50% Survivor Benefit	Payments of 50% of the annuity would be made to the survivor, which can be either the spouse or the annuitant.
With Cash Refund	If both recipients were to die before the funds were exhausted, a named beneficiary would receive the excess funds in a lump sum.
INCREASING PAYMENT	
With 100% Survivor Benefit	Payments are made to retired employee first, then 100% to the survivor, which can be either the spouse or the annuitant. Payments will increase at a preset rate.
With Cash Refund	If both recipients were to die before the funds were exhausted, a named beneficiary would receive the excess funds in a lump sum.
With 50% Survivor Benefit	Payments are made to the retired employee first, then 50% to the survivor which can't be either the spouse or the employee.
With Cash Refund	If both recipients were to die before the funds were exhausted, a named beneficiary would receive the excess funds in a lump sum.

ANNUITIES ARE ISSUED ONLY BY INSURANCE COMPANIES

As stated before, a lifetime annuity requires the money to be transferred to an industry chartered to take risks insured with its money. No other industry can do this except the insurance industry. The Thrift Savings Plan Administrators will purchase an annuity from a contract company. Currently this company is Metropolitan Life Insurance Company of New York.

Elections to receive your income from the contracted company or any other company are subject to annual income tax on the full amount.

NOTE: *100% to other than spouse is not available if joint annuitant, other than spouse, is more than 10 years younger than the principle annuitant.*

ANNUITY OPTIONS UPON DEATH

If you die after your annuity has been purchased, benefits will be provided according to your annuity selection. If you choose a joint life annuity and your joint annuitant is still living when you die, payments will be made to the joint annuitant until he/she dies. If you chose an annuity with a "cash refund" or "10-year certain feature", a final payment may be paid to your beneficiary. For all other options there are no further payments after your death.

If you die before the TSP Service Office receives your completed annuity request on Form TSP 70, your TSP account balance will be disbursed to the persons most recently named on TSP-3, Designation of Beneficiary. If there is no form TSP-3 on file at the TSP Service Office, benefits will be paid according to the standard order of precedence established by the law.

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SUMMARY OF OPTIONS UNDER TSP

Description	TSP or Individual Annuities				TSP Withdrawal Options			
	Life Only	Life Only With Add. Options	Joint & Survivor Only	Joint & Survivor With Opts.	Interest Only	Lump Sum	Specified Amount	Life Expectancy
Tax-Deferred Interest Accumulation			Yes				Yes	
10% pre-mature redemption penalty	TSP, No;	Annuity, Yes - if Partial Withdrawals Made Before 59½			Yes - Except the Life Expectancy Option			
Payments Established by Time	TSP, No;	Annuity, Sometimes - Depending on Company Options, Ask Question			No - Except the Life Expectancy Option			
Payments Established by Amount		No			Yes			
Comparison Issue	Annuity Options				Withdrawal Options			
Must you claim interest as income?	YES	YES	YES	YES	YES	YES	YES	YES
Must you pay the 10% pre-mature redemption penalty?	NO	NO	NO	NO	UNDER 59½	INCOME UNDER 59½	NO	NO
Can you pass income to your spouse?	NO	NO	YES	YES	NO	NO	NO	NO
Can you pass income to someone other than spouse?	NO	NO	YES	YES	NO	NO	NO	NO
Can you pass income to a beneficiary?	NO	NO	NO	YES	NO	NO	NO	NO
Is there a death benefit feature to this program?	YES	YES	YES	YES	YES	NO	YES	YES
Is the death benefit received by the beneficiaries taxable?	NO	NO	NO	NO	NO	COULD BE	NO	NO
Can you request income for a specific amount?	NO	NO	NO	NO	NO	YES	YES	NO
Can you request the income be guaranteed for life?	YES	YES	YES	YES	NO	SOME-TIMES	NO	NO

RETIREMENT OPTIONS UNDER IRA

To transfer a TSP account to an IRA or other eligible retirement plan, the participant and the financial institution that is to receive the TSP funds must complete the proper paperwork. A new three part Form TSP-70 should be completed if you are working and at least 59½ or retired. The TSP Service Office cannot accept only the financial institution's form. Direct transfers from the TSP office to another financial institution are not reported to IRS and are, therefore, not taxed or penalized at time of transfer.

Payments you receive will be reported to the IRS on Form 1099. Under the IRS regulations, the individual will have 60 days from date of receipt of check to reinvest the amounts received in an IRA or other eligible retirement plan to avoid taxation and possible tax penalties. A law that became effective January, 1993 requires the TSP to withhold 20% of such "Withdrawal" payments for federal taxes.

Taking retirement under an IRA may offer you, in some circumstances, more options than are available under the TSP annuity options. Available options will depend on the company you choose. Some of the options that are available and might benefit you are as follows:

Interest Only

This option will afford you the flexibility of receiving payments on an ongoing basis from the interest that is generated from the principal. The Interest- Only option is available once you have reached at least age 59½. This option must be discontinued by the time you reached 70½ years of age, at which time a formal withdrawal option must be elected.

Increased Payout Certain Option

It may be possible to increase the length of time your beneficiaries may be eligible to receive the unused portion of your annuity payments. Payment may be guaranteed for 5, 10, 15 or 20 years. While the increase in the guarantees would decrease the monthly amount you would receive, it would increase the amount of time your beneficiaries would receive the payments.

Partial Withdrawals of Up To 10% of Account Balance

Some companies allow a withdrawal provision of up to 10% of the entire account balance and specifics may differ from company to company. This provision is free of any partial withdrawal limits imposed by the company, but is by no means free of income tax. Upon reaching age 70½, you must elect a formal method of distribution from your account.

For more information on specific types of IRA's or tax deductibility of an IRA while you are still participating in your TSP, see pages 18 and 19. For further details ask your tax practitioner, CPA, or your Federal Benefits Specialist.

CONTRIBUTING TO AN IRA

The most you can contribute to your IRA in any one year is **the smaller** of:

- Your compensation, or
- Published limits (see page 20)

This is the most you can contribute regardless of whether your contributions are deductible or non-deductible.

DEDUCTIBLE CONTRIBUTIONS

Generally, you can take a deduction for the contributions that you are allowed to make to your IRA. Effective January 1, 1998, if you are covered by an employer's sponsored plan but the spouse is not, the non-covered spouse may contribute to an IRA without regard to the general Adjusted Gross Income (AGI) phase-out rules, but still subject to the earned income requirement. A special phase-out rule will apply for taxpayers whose AGI is \$150,000 and above.

EMPLOYER PLANS

An employer retirement plan is one that an employer sets up for the benefit of its employees. An employer plan includes a plan established for its employees by the United States Government, i.e., the TSP (Thrift Savings Plan).

CAN YOU TAKE AN IRA DEDUCTION?				
If Your Modified AGI is		If You Are Covered by a Retirement Plan at Work and Your Filing Status is		
		Single or Head of Household	Married & Filing Joint	Married & Filing Separately
At Least	But Less Than	You Can Take	You Can Take	You Can Take
\$0	\$10,000	Full Deduction	Full Deduction	Partial Deduction
\$10,000	\$52,000	Full Deduction	Full Deduction	No Deduction
\$52,000	\$62,000	Partial Deduction	Full Deduction	No Deduction
\$62,000	\$83,000	No Deduction	Full Deduction	No Deduction
\$83,000	\$103,000	No Deduction	Partial Deduction	No Deduction
\$103,000	And Over	No Deduction	No Deduction	No Deduction

NOTE: None of these changes or restrictions affects the ability of the taxpayer and spouse to contribute up to a maximum, (see page 20), to non-deductible IRAs. In addition consideration should be given to the non-deductible Roth IRAs discussed on the following page. (see IRS Publication 590 for more information on Individual Retirement Accounts).

ROTH INDIVIDUAL RETIREMENT ACCOUNTS

Effective January 1, 1998, a second type of non-deductible IRA was established. Earnings in the Roth IRA are tax deferred and all distributions are exempt from income tax.

For annual contribution limits for a Roth IRA see page 20, but in no event can this amount be more than the taxpayer's earned income for the year. The maximum contribution is phased out for taxpayers whose Adjusted Gross Income, (AGI) exceeds a threshold. For single taxpayers the phase-out range is \$101,000 - \$116,000, and for married taxpayers the range is \$159,000 - \$169,000.

A taxpayer may contribute to a Roth IRA after age 70½.

The contribution limit is coordinated with contributions to other IRAs. A taxpayer can split the contributions for the year between several IRA's.

A qualified distribution from a Roth IRA is exempt from income tax. There is a two-prong test to determine whether a distribution is qualified: 1) The distribution can only be made at least five years after the first year in which a contribution was made to the account and 2) the distribution is made on account of the participant (a) reaching age 59½; (b) death; (c) disability; (d) first-time home purchase expenses.

If the distribution is not a qualified distribution, a 10% excise tax applies in addition to the regular income tax.

The income and penalty taxes on a distribution from a traditional IRA apply to both the contribution and the earnings withdrawn since the contribution was made with pre-tax dollars. In contrast, under the Roth IRA only the earnings are taxed because the initial contribution was made with after tax dollars. The same dollar distribution will result in a higher tax if the withdrawal is from a traditional IRA.

A taxpayer who has either a deductible traditional IRA or a non-deductible IRA may roll over those amounts into a Roth IRA, if the taxpayer has Adjusted Gross Income (AGI) of less than \$100,000 computed without regard to any amount that must be included in income as a result of the rollover. As a condition for this rollover, however, the taxpayer must pay regular income tax on the conversion amount. The conversion is penalty free with the exception of married taxpayers filing separately. The five-year holding period begins at the date of conversion.

RETIREMENT PLAN CHANGES - EGTRR ACT OF 2001						
Description	2005	2006	2007	2008	2009	2010
Regular contributions to a IRA/ Roth	4000	4000	4000	5000	N/A	N/A
Greaser Bill - at least age 50	500	1000	1000	1000	N/A	N/A
Rollover of after-tax contribution	Yes	Yes	Yes	Yes	N/A	N/A
Rollover of after-tax contribution	Yes	Yes	Yes	Yes	N/A	N/A
Employer offer IRA and/or Roth	Yes	Yes	Yes	Yes	N/A	N/A
Rollover to 403(b) and 457	Yes	Yes	Yes	Yes	N/A	N/A
401 K / TSP contribution limits	14,000	15,000	15,500	15,500	N/A	N/A
Greaser Bill - at least age 50	4,000	5,000	5,000	5,000	N/A	N/A
Roth - 401 K / TSP	N/A	Yes	Yes	Yes	N/A	N/A
Rollover after-tax to IRA	Yes	Yes	Yes	Yes	N/A	N/A
Waiting Period - after hardship withdrawal	6 Months	6 Months	6 Months	6 Months	N/A	N/A

HOW SHOULD I PLAN FOR MY TSP CONTRIBUTIONS?

Make sure you are in a positive financial condition. Pre-mature redemption or withdrawals can cause an adverse tax affect on your taxable income. Always seek the advice of a tax expert before making such decisions.

Determine what you want your TSP to accomplish. How you build your investment strategies are directly linked to the time frame distributions will be made. Capital growth may be better realized in the short term with funds invested in the C, S, or I funds, however, larger growth potential also generally means higher risk.

Determine the amount of risk you are willing to assume. Your tolerance of risk should be the determining factor in establishing investment strategies with your funds. Volatility generally accompanies funds that could realize greater investment returns.

If possible, plan your investments for periods of 7 to 10 years. This is generally considered an investment cycle.

Allow for changes in your family or financial responsibilities. Marriage, birth of a child, buying a home, college or change in employment could all be reasons for increasing or decreasing the amount of contributions to your TSP account.

TSP INVESTMENT CONSIDERATIONS

The fund or funds you choose to participate in should reflect your comfort level or, in other words, your tolerance for risk. Each fund has the ability to increase or decrease with market conditions. Obviously the C Fund has more ability to capture a higher yield than the G Fund. However, the same holds true for potential losses. Historically your record of gains will favor a long-term commitment in the chosen TSP fund, rather than a short-term market strategy. The S and I Funds have significantly higher volatility, but also provide the opportunity for greater growth over an extended period of time. The new L Funds are the "set it and forget it" investment models and can be used to gauge and control risk more easily than the other individual funds. Keep in mind the following factors when planning your investment strategy:

- What risk am I willing to assume?
- How long will I be able to keep my money in this same fund?
- When am I planning on retiring and can I count on TSP to provide an income?
- Is my family or marital status likely to change during this time?

The chart below illustrates a strategy that may be used. This is in no way a suggestion or recommendation that you should follow the same pattern.

STATUS	FUND ALLOCATIONS	RISK ASSESSMENT
Single	100% C, S & I	Aggressive
Married	80% C, S & I 20% G	Aggressive
Family/Head of Household	70% C, S & I 30% G	Moderately Aggressive
Ages 45-55	60% C, S & I 40% G	Moderate
Ages 55-65	50% C, S & I 50% G	Moderately Conservative
1 Year from Retirement	100% G	Conservative

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