



TSP Insider

# How Your Thrift Savings Plan is Costing You Money!

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# HOW MUCH DO YOU KNOW ABOUT YOUR THRIFT SAVINGS PLAN?



The Thrift Savings Plan or TSP was introduced as a means of retirement income for uniformed military personnel as well as civilian employees on the payroll of the United States Government. It is similar to the 401(k) plans offered by corporations to their employees.

It came into being with the enactment of the Federal Employees Retirement System Act, 1986.

If you are a member of the uniformed services, or a Federal employee, you might know this already.

On paper, the TSP is a great investment option. Its fees are a mere 0.3%, the lowest among all retirement plans. If you have \$100,000 in your Thrift Savings Plan, all you need to pay is \$30 towards expenses. Employer-sponsored 401(k) plans tend to charge ten times this amount, and an IRA (Individual Retirement Account) could charge up to 2.3%. For the same \$100,000 corpus, this translates to \$2,300 or a difference of \$2,270 when compared with the TSP.

FutureAdvisor, which provides investment and financial advice online, found that it would cost anywhere between \$54 and \$2,376 per year when you move out of the TSP. →



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## So if the TSP saves me over \$2,000 a year, how is it costing me any money?

It is more of a question of how much you earn with your TSP versus how much you stand to earn. If you were to compare it to an Exchange Traded Fund or ETF, you might find that the returns are similar. The TSP offers enough choice among bonds and stock index funds that offer exposure to both domestic as well as international markets. Those familiar with the Thrift Savings Plan might be aware that the five funds you can choose from are:

- The Government Securities Investment (G) Fund
- Fixed Income Index Investment (F) Fund
- The Common Stock Index Investment (C) Fund
- The Small Capitalization Stock Index (S) Fund
- International Stock Index Investment (I) Fund

You could invest in any one of them, or all of them, after determining how much you want to put into each fund.

Let us see how they have performed over a ten-year period.

TYPE OF FUND	Share price on March 29, 2006	Share price on March 29, 2016	10-year percentage increase	Average annual returns
G-Fund	11.2800	14.9867	32.86%	3.28%
F-Fund	10.6200	17.4503	64.31%	6.43%
C-Fund	14.2000	27.8737	96.29%	9.62%
S-Fund	17.8100	34.7898	95.33%	9.53%
I-Fund	19.1400	23.4925	22.72%	2.27%

Even if you had invested all your money into the C-Fund, the highest performing fund, you still couldn't have earned more than 10% per annum on average. TSP's own data, arrived at by using December 2015 prices as the benchmark, is even bleaker.

Average returns over ten years (2005-2015)

G-Fund	F-Fund	C-Fund	S-Fund	I-Fund
2.94%	4.74%	7.36%	8.03%	3.20%

Under these, it would be a cruel joke if anything more than 0.03% was levied as fund charges.



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## ► **But is it really worth it when the gains are offset by higher fund management charges?**

The actual returns tend to be much more than what has been shown in the above example. The reason why fund management charges are levied is because the funds are 'managed'; or rather, fund managers keep monitoring the price of gold and periodically buy and sell gold, traded as a commodity on the stock market, to maximize profits for their investors.

To demonstrate with the help of an example, \$35,211 invested in a gold IRA in 2004 would have seen itself grow to \$175,155.64 in 2013. That is a gain of around 397%, which works out to 44% per annum. So there is a lot of money to be made, and the fund charges pale in comparison to this amount.

This is how staying invested in a TSP costs you money - With a \$100,000 retirement fund, you could be making upwards of \$40,000 per year in a gold IRA, but you get only \$10,000 or less with the Thrift Savings Plan. Your potential loss is more than \$30,000 a year.

Our guess is that \$40,000 goes a long way towards covering your expenses for the entire year, if not fully. So a gold IRA could ensure that your retirement fund remains largely untouched, with you being able to live off the returns.

## ► **But then again, why gold? Why not another commodity?**

The truth is that gold has been used as a currency for ages, and even with the advent of modern currency, it is the amount of gold held by a country that determines the value of a currency, not the free market. The free market as we know it today, with demand and supply on an international scale, did not always exist.

Gold standards existed for currencies, and after World War I, some countries abandoned the system of pegging their national currency to gold. They then suffered economic crises. The best example is that of Germany, which suffered from hyperinflation when they moved to paper currency that was completely unlinked from gold.

This can be seen even today. Until 2000, Switzerland had a law that 40% of its currency be backed by gold reserves. One Swiss franc was the equivalent of 0.203125 grams of gold, with the United States too following a similar practice of adjusting the dollar to gold reserves held, \$1 was the equivalent of 4.375 Swiss francs. After Switzerland stopped following the Bretton Woods system →



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(an international monetary standard adopted by many countries worldwide), \$1 can buy only 0.96 Swiss francs today. In other words, the value of the Swiss franc has increased. On the ground, this translates to inflation for its citizens.

If you were an adult in the 1970s, you might remember what has come to be known as the Nixon Shock. Under President Richard Nixon, the United States abandoned the Bretton Woods system in 1971, and there was an economic recession in the country from 1973-75.

Inflation was 4.6% in August 1971, but because there were Executive Orders to curb inflation following the dropping of the gold standard, there was a slump in inflation rates for the next two years. However, the United States could not survive in isolation from the world market, and inflation soared to 12.3% in 1974.

Nobody understands this better than China. With all its exposure to international markets and trading huge amounts of world currencies, it has become important to safeguard itself with gold. Otherwise, it would find itself in a situation where the Greek drachma it holds suddenly becomes worthless pieces of paper when there occurs a financial crisis elsewhere. This has indeed happened - China had to devalue the yuan recently.

Only gold provides stability. India is another country that has realized this fact. It remained largely unaffected by the global economic crisis and actually enjoyed a period of growth, thanks to its gold reserves which helped the rupee to hold its ground against the dollar, thereby protecting it from major fluctuations. □



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# GOLD SPEAKS AN INTERNATIONAL LANGUAGE

This metal has been valued by civilizations since time immemorial. The reason why it is so universal is because of two reasons:

- **It is found everywhere in the world:** This means that an Aztec would recognize it as much as an ancient Egyptian.
- **It is rare:** Anything that is in short supply commands a premium, and it was no different earlier. Nations used gold when trading with each other.

The earliest gold coins date back to 800 B.C., and it was King Croesus of Lydia who was the first to mint coins of pure gold (this happened three centuries later).

- After centuries of trading in gold coins, nations understood the need to have their own currency, as a lot of domestic buying and selling in low-value items like wool and food, as well as paying

for services like carpentry, could not be accomplished with gold - even the smallest weight was too much. The Byzantine Empire, which followed the Roman Empire, was the first to adopt a gold standard, i.e. have their own currency backed by gold reserves.

- The acceptance among people is also high – people generally pass on their wealth in the form of gold, as its intrinsic value beats all forms of local currency.
- In the United States, the price of gold tripled over a ten-year period from 1998 to 2008, reaching levels of \$1000 per ounce. Over the next four years, it would go on to reach the \$1800-1900 level.
- Investing in gold is also a good way to beat inflation. The years when inflation was the highest in the United States following the Second

World War were 1946, 1974, 1975, 1979 and 1980. During this time, the Dow Jones Industrial Average yielded-12.33%, while gold returned 130.4%.

- Gold also comes to the rescue when there is deflation. The Great Depression that occurred in the 1930s saw a drop in prices, but the purchasing power afforded by the precious metal increased. The reverse is also true - you can see that whenever the US dollar increases in value, the price of gold comes down.
- So in a bad economy, gold assumes greater significance. In a good economy, it helps you overcome rising prices. Either way, it is good – and that is why it is treasured so much.
- When there is geopolitical uncertainty (as seen from recent conflicts in the Balkans →



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and the Middle East) in any part of the world, the price of gold soars. The reason is simply because the local currency ceases to have value. This affects all countries that trade with it, and given the truly global nature of international trade today, they would rather prefer a more stable currency. But a crisis means that this cannot be easily obtained. For instance, it is hard to convert Syrian pounds into US dollars, since no one would want to buy them out of fear for what value the currency holds in a conflict-ridden war zone where buying and selling cannot be done freely. And so gold once again becomes the preferred currency of choice.

- Currency crises can also happen due to economic factors. When they do occur in any part of the world which engages in international trade, the same situation as in the above scenario happens – other currencies are affected, and gold increases in value because of its stability.

■ Some of the crises that have happened in the recent past are:

- 1994-95 - Mexico
- 1997-98 - Asian financial crisis (this happened across the entire Southeast Asian region)
- 1998 - Russia
- 1999-2002 - Argentina
- 2000-2001 - Turkey
- 2001 - Dotcom bubble burst
- Early 2000s - Worldwide recession
- 2008-11 - Iceland
- 2010 - Europe
- 2014 - Russia

■ The supply of gold is also declining, thereby increasing its value when demand is increasing. The annual gold mining output fell from 2,573 tons in 2000 to 2,444 tons in 2007. Bullion sales also saw a decline during this period. Less gold offered for sale also makes it being perceived as more valuable.

■ The demand has also been increasing. Gold jewelry is highly popular in India, especially during weddings –

and a third of India's 1.3 billion population is young. Millions of them enter into wedlock every year, and the number is increasing. In China, physical gold is seen as a form of savings. As its own economy becomes unpredictable, there is more demand in the world's most populous country.

Gold is becoming dearer as more and more countries realize its value, and try to buy more of it. You can always have physical gold in your IRA if you do not trust fund managers. The rate of appreciation on gold itself is still more than your TSP. This way, your risk is significantly reduced - you do not have to worry about stock market crashes when you should ideally be enjoying your retirement period. You have worked hard for a lifetime, so you fully deserve to rest easy. Peace of mind is something that you are completely entitled to. ➔



If you had spent \$3,300 (roughly the price of a new car at the time) on buying gold in the aftermath of the Nixon Shock in 1971, it would be worth \$115,500 today.



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Apart from gold, you can also have silver, platinum and palladium to diversify your risk.

The various types of precious metals you can hold in your IRA as are follows:

### GOLD

- ♣ American Eagle coins
- ♣ U.S. Buffalo Gold  
Uncirculated coins
- ♣ Canadian Maple Leaf coins
- ♣ Credit Suisse gold - PAMP  
Suisse gold Bars .999
- ♣ Austrian Philharmonic
- ♣ Australian Kangaroo/  
Nugget coins
- ♣ Bars and rounds\*

### SILVER

- ♣ American Eagle coins
- ♣ Canadian Maple Leaf coins
- ♣ Mexican Libertad coins
- ♣ Austrian Philharmonic coins
- ♣ Australian Kookaburra coins
- ♣ Bars and rounds\*

### PLATINUM

- ♣ American Eagle coins
- ♣ Isle of Man Noble coins
- ♣ Canadian Maple Leaf coins
- ♣ Australian Koala coins
- ♣ Bars and rounds\*

### PALLADIUM

- ♣ Bars and rounds\*

*\*These are those that are produced by accredited manufacturers.*

Bars must meet the following minimum standards for finesse

<b>Gold</b>	.995+
<b>Silver</b>	.999+
<b>Platinum</b>	.9995+
<b>Palladium</b>	.9995+

Manufacturer accreditation can be LME, NYSE/Liffe/CBOT, Nymex/Comex, LBMA, or ISE-9000. A U.S. National Mint also meets the standards.

The United States Government mints a limited number of coins every year, and their market value is higher than the price of the metal they are made from. Factors such as rarity and demand among numismatics also influence the value of coins.

If you would like more information on any of this, all you need to do is contact us by calling **1-888-745-7957**. A Regal Assets retirement adviser will then get in touch with you, and he/she would be happy to answer any queries that you might have. □



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# HOW DO I TRANSFER MY RETIREMENT FUNDS FROM THE TSP TO A GOLD IRA?

There are two ways of doing this. The first option is do a transfer. In this, your existing IRA custodian (this could be the TSP or any other IRA) makes out a distribution check to the new IRA custodian. You can do this any number of times. Thousands of Regal Assets customers have done so already.

The other way is to do a rollover. In this, you receive your retirement funds from your existing IRA custodian. You then put the money into a new IRA within 60 days. If the funds are kept for more than 60 days, you are liable to pay taxes on the amount withdrawn. To maintain the tax-deferred status of your precious retirement funds, the same money can be rolled over only once in every 12 months. However, there is nothing to prevent you from rolling over a part of your retirement corpus first, and then another part, and so on.

Even if this seems like a lot of paperwork, we will be with

you every step of the way, guiding you through the process.

45% of retired Federal employees who withdrew all their savings (this collectively adds up to a massive \$10 billion in total) from their TSP couldn't have been wrong about their decision to park their retirement funds in other IRAs, could they?

Ready to get started? Just call us, or fill in the form on our website and we will do the rest.

At Regal Assets, we have a proud tradition of helping people enjoy their retirement in comfort. Far from thinking you need to cut down on expenses, now that your steady stream of income has come to a stop, we think it should be a time when you enjoy yourself, treating yourself to all the good things that life has to offer. Our IRA will help you with the money you need for all these.

Our customers speak highly of us, and you only need check

with them to find out whether it is a good idea to invest in gold. You can enjoy the rest of your life in luxury – you have worked hard for a lifetime and deserve this fully. No matter what the size of your retirement corpus is, we can help you become a millionaire. It is not really us, but the power of gold in your IRA that does that for you. We only act as enablers, helping people retire in comfort.

A lot of people have become billionaires by investing in gold, and they are not ashamed to admit it. You can view their quotes on our website. What they all agree upon that is that while gold is a great investment, it needs to be leveraged to one's advantage. This is where we come in to the picture. Many aren't earning as much as they should be today because they have overlooked the earning potential of gold. □



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