DOLLARS AND SENSE

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Retirement: Set It And Forget It?

I think I was in college when I first saw inventor Ron Popeil demonstrate his Showtime Rotisserie oven effortlessly prepare meals for busy people on the go. His infomercials ran seemingly non-stop and firmly emblazoned the phrase "Set It, And Forget It!" in the hearts and minds of insomniacs across the fruited plain. It was a clever sales pitch that capitalized on the reality of moms entering or returning to the workforce, who still placed nightly dinners with family gathered around the table in high regard.

It's a tempting mantra to apply to investing as well - Set it, and forget it.

For federal employees who do not like to spend time analyzing and guessing the future direction of the Dow Jones, the Fed's next move on interest rates, or the whims of voters in Greece, the TSP Lifecycle funds (L funds) may be a good option. The purpose of these funds is to provide instant diversification and the funds are re-balanced automatically, without any action necessary by the investor, as the stock and bond markets change.

The intent is that an investor can buy one fund to diversify all of your TSP investment rather than putting money into a variety of the underlying funds.

For those retiring a number of years in the future, a higher percentage of the underlying TSP funds are in the stock funds (C, S and I funds). For those that are closer to retirement or actually retired, the more conservative funds put more of your money into bonds than into stocks.

Each quarter, the L Funds’ asset allocations may change. As the target date of retirement gets closer, the allocation will move to a less risky mix of investments (i.e. more invested in bonds and less in stocks). So if you are invested in one of the L Funds, you will notice that as you get closer to your target date, your allocation to the TSP stock funds will get smaller while your allocation to the more conservative G Fund becomes larger.

As of 2014, the net costs for the TSP Lifecycle Funds were the same as the individual TSP funds, around .029%. According to mutual fund rating firm Morningstar, the average costs for funds outside of TSP were 1.25% in 2014.

However you choose to "set" or allocate your funds in the TSP, just don't "forget it." It is a good idea to monitor your accounts at least quarterly.

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