CRITICAL CONSIDERATIONS FOR FEDERAL EMPLOYEES AT RETIREMENT

Prepared by

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1 Beneficiary designations updated

With rare exception, a completed and witnessed designation of beneficiary form may override any designation of beneficiary that you have stated in your will. Therefore, it is very important for you to periodically review your records to make sure you have completed a designation of beneficiary form. This will determine whether or not you need to cancel or change your designation.

2 Understanding your TSP withdrawal options

It's important to always know your options, but it is even more critical when you retire and have to make a choice.

Lifetime income can and does come in different forms from insurance companies. Today, you have options that do not lock up your money, allow you to still receive a lifetime income, and have your loved ones as a beneficiary. We would suggest that these plans are worthy of consideration in many (not all) circumstances where one needs an "income bridge" for a certain period, or where living to a ripe old age runs in the family. Your money needs to be guaranteed to last as long as you live.

Consulting with our office of experts in this area will give you a diverse portfolio of income. In addition, the TSP with its low level of fees can give you additional growth in the markets. Splitting up your TSP at 59 1/2 or older gives you SAFETY and GROWTH.

3 Using the TSP to pay off mortgages

An understandable instinct is to retire debt free. Having no mortgage payment is tempting. You could take a lump sum withdrawal from the TSP at retirement to pay off the house, but this could be a big financial mistake that could cost you tens of thousands of dollars.

4 G Fund

A federal government employee who is too conservative with TSP fund allocations faces the real possibility of running out of money before death.

With interest rates at all time lows, we see too much in the G fund that's not keeping up with inflation.

5 Diversification will help you see the difference over time.

With your TSP, each stage of your life brings new allocations based upon the length of time you have until retirement. Someone who has 1 or 2 years from retirement needs a different make up than someone who has 10 years or longer for retirement.

6 Your Federal Retirement paperwork…

This is probably one of the most important sets of forms you'll fill out in your life. The way you fill it out will affect the rest of your life, and possibly your survivors' lives as well.

Why?

Because OPM will simply process the paperwork they receive. They don't review your paperwork and call you to ask if you really meant to leave no survivor pension – they just process the paperwork as they receive it. This is because it is your responsibility to make sure your paperwork is filled out correctly.

7 Being financially secure to retire requires you to answer these questions:

When do you want to retire?
How much money will you need to live off of in retirement?
Where will the money you need come from?
Do you have enough money?

8 Accurately assessing your retirement cash-flow & investment strategy

Have 1 to 2 years of living expenses in a checking or savings account.

Evaluate your investments from a net after-tax and net after-inflation.

Look for a financial professional who has experience with federal retirement planning. Your federal benefits play a major part of your retirement - you want someone who knows the system.

Take the time now to evaluate your retirement plan and prepare yourself financially for retirement. And don't be afraid to ask for help when you need it.

9 Just a reminder about your HR department

Your agency's HR department cannot give personalized recommendations. That's not their job. They are there to help process paperwork and provide you with information about your benefits, but they can't tell you which options are the best for your personal situation.

10 Your Health Insurance Coverage Scoop

The government covers 100 percent of its retirees who meet a simple eligibility requirement. Only 13 percent of companies in the private sector extend such coverage to their retirees (according to The Wall Street Journal). Here's the scoop: As a rule, you must have been enrolled in the Federal Employees Health Benefits (FEHB) program for the five years immediately preceding your retirement (or have been covered by your spouse's FEHB policy). If not, you won't be allowed to carry your coverage into retirement. (Of course, there are some exceptions. For example, if you enrolled in the FEHB at your first opportunity and retired in less than five years, you'd still be covered in retirement. The same holds true if you accept an opportunity to retire early but before you've been covered for a full five years.)

11 Not getting credit for military service.

You served your country and now that you're on the civilian side of government, you'd like to get credit for your military service when you retire. Now you can. But how you do that depends on the retirement system you're in. If you are a FERS employee, you must make a deposit to get credit for that time. On the other hand, if you are a CSRS employee who was hired before October 1, 1982, you don't have to make a deposit unless you'll be hit by the so-called "Catch-62" penalty. However, if you are a CSRS employee hired after that date, you'll only get credit for that time if you make a deposit. Finally, whether you are covered by CSRS or FERS, if you retired from the military and want to get credit for that time, you'll not only have to make a deposit but you'll also have to waive your military retired pay when you retire from your civilian job.

12 Getting blindsided by the GPO.

If you'll be getting a CSRS annuity and would be entitled to a Social Security spousal or survivor benefit, watch out. The money you were expecting to receive probably will be wiped out by the Government Pension Offset. It reduces those Social Security benefits by $2 for every $3 you'll be getting in your CSRS annuity (or the CSRS component in your FERS annuity, if you have less than five years service under FERS).

13 Failing to get full credit for all federal service.

Did you ever work as a substitute carrier for the post office, serve with Peace Corps or VISTA, perform volunteer service under the Economic Opportunity Act of 1964, or were employed as a U.S. Capitol guide, etc.? If you did, you may not know that the time could qualify as creditable civilian service – but only if you claim it, and in certain cases, make a deposit to the civil service retirement fund. The more creditable service you have, the sooner you'll be eligible to retire, and, when you do, the larger your annuity will be. This is a case where time is money.

14 Know how the system works:

First, while you often can retire at your minimum retirement age (MRA), if you do so with fewer than 30 years of service, your annuity will be reduced by 5 percent for each year you're under 62 unless you have 20 years of service and retire at age 60 or later. Second, you'll be eligible for a special retirement supplement that approximates the Social Security benefit you earned while covered by FERS, unless you retire at your MRA with fewer than 30 years of service. (Note that this rule doesn't apply if you accept an offer from your agency to retire early.) Third, as a regular retiree, you won't be eligible for your first cost-of-living adjustment until you are age 62. And that COLA will usually be smaller than the one CSRS retirees get.

To speak to a Federal Benefits Counselors Representative, you may contact us at:

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