



PLANNING FOR RETIREMENT FOR CSRS EMPLOYEES

JANUARY 21, 2025 – FEBRUARY 13, 2025

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Federal Retirement Benefits: CSRS Benefits, Part 1

Presented by:

Bob Braunstein, Federal Benefits Specialist

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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES



How Are You Preparing for Retirement? Can You Answer These Questions?

- When can I retire?
- How much money will I receive?
- Will my dependents be protected when I die?
- Will I have insurance?





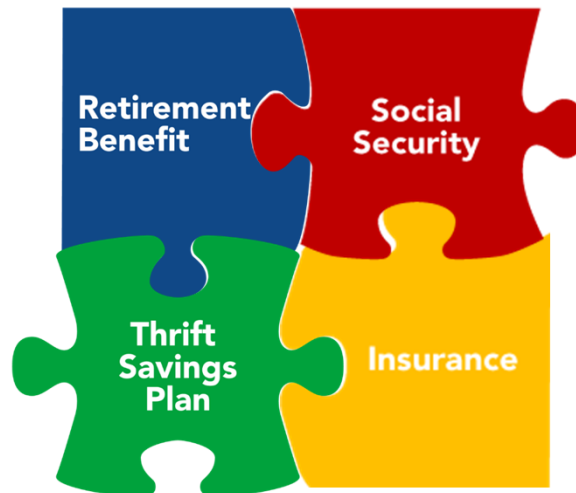
POLL QUESTION

- Which Retirement System are you in?
- CSRS
- CSRS Offset
- I don't know

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Preparing For Retirement Takes Careful Planning of the Four Sources of Financial Security



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Module 1: Your Retirement Benefit

- **Determine when you are eligible**
- Determine your creditable service for retirement
- Determine your basic retirement benefit
- Consider survivor benefits
- Retirement processing



History of the Federal Retirement Systems



2013/2014

FERS/RAE/FRAE

1987

CSRS – Offset
TransFERS

1984

CSRS – Interim

1935

Social Security

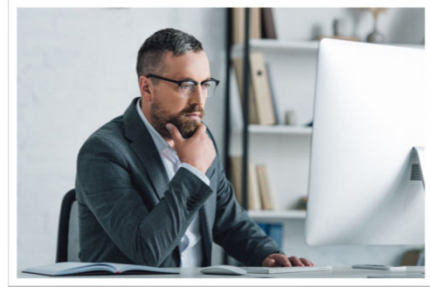
1920

CSRS



Determine When You Are Eligible

- Your retirement system
- Retirement option
- Your age and years of creditable service

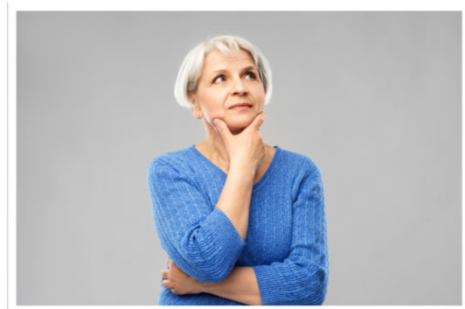


FERCCA: Federal Erroneous Retirement Coverage Corrections Act



Retirement Options

- Regular (Optional)
- Early (VERA or DSR)
- Disability
- Special Provisions
- Deferred



CSRS Minimum Age and Service Requirements

Retirement Type		Age	Service	FEHB, FEGLI, FEDVIP
Immediate Retirement	Voluntary / Optional	55	30	Must meet the 5-year test for FEHB and FEGLI
		60	20	
		62	5	
	Early	50	20	
Any age		25		
Deferred Retirement	Disability	Any age	5	
	Special Provisions	50	20	
		Any age	25 (ATC Only)	
Deferred Retirement	Deferred	62	5	No



Module 1: Your Retirement Benefit

- Determine when you are eligible
- **Determine your creditable service for retirement**
- Determine your basic retirement benefit
- Consider survivor benefits
- Retirement processing



Creditable Service

Standard Form 50
 Notification of
 Personnel Action

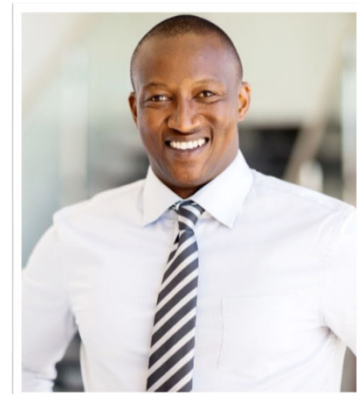
Filed in your
 electronic Official
 Personnel Folder
 (eOPF)

The image shows a Standard Form 50 Notification of Personnel Action form. It is divided into several sections: 'FIRST ACTION', 'SECOND ACTION', 'EMPLOYEE DATA', 'POSITION DATA', and 'AGENCY DATA'. Numerous fields are redacted with yellow boxes. Blue arrows point to specific fields: one points to field 1 (Name), another to field 10 (Grade or Level), and a third to field 32 (Work Schedule). The form includes fields for Social Security Number, Date of Birth, Effective Date, Pay Plan, Pay Rate, and various codes for actions and legal authorities.



Creditable Service

- Creditable service for *retirement* may differ from creditable service for *leave accrual*
- Retirement estimate from Human Resources
- Change in work schedule:
 - Leave Without Pay (LWOP)
 - Intermittent, Seasonal, When Actually Employed (WAE)
 - More than a 3-day break in service
 - Military Service
 - Part-time



Service Credit: Deposits and Redeposits

How much do I owe? What is the effect on my retirement?

- Civilian service deposits
- Civilian service redeposits
- Military service deposits

Application to Make a Deposit or Redeposit (SF 2803)



How Much Do I Owe?

- **Deposit:** 7% of base pay
- **Redeposit:** 7% of base pay
- **Military Deposit:** 7% of military base pay

Interest will compound on unpaid deposit

2024 Variable Interest Rate: 3.75%



Deposit for Code 2 Service Prior to 10/1/82

... if not paid:

- Amount owed is usually small
- Reduction is 10% of amount owed annually
- **e.g. if annuity is \$35,000 and amount owed for deposit is \$500, reduction to annuity is \$50 a year (or a little over \$4 a month before taxes)**



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Deposit for Code 2 Service on or after 10/1/82

... if not paid:

- 1 year of Code 2 (FICA-only) service
- Total base pay = \$20,000
- Deposit = \$3,000
- Employee's high-3 salary = 100,000

If deposit is not paid. . .	Breakeven point if paid
The nondeduction period will not be considered in the CSRS retirement benefit calculation. 2% x \$100,000 = \$2,000 per year reduction	Less than 2 years <i>If not paid – no annuity credit for this year!</i>



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Should I Pay a Deposit?

Catch-62:

- Post-56 military deposit (hired before 10/1/82)

Qualified for Social Security?



Pay a Military Deposit if...

Catch-62:

- If you will be eligible for Social Security at 62 or retirement if later
- If hired in CSRS on or after 10/1/82



Redeposit for CSRS Refunded Service Prior to 3/1/1991

- Service counts for eligibility and annuity even if not paid
- Reduction is based on amount owed and age at retirement
- **e.g. if \$25,000 is owed and retirement is at age 60, reduction would be approximately \$109.89 per month or \$1,180.20 per year (present value factor = 254.2)**



Redeposit for CSRS Refunded Service on or After 3/1/1991

- Refund for 5 years of service
- Total owed plus interest = \$25,000
- Employee's high-3 salary = \$120,000

If deposit is not paid. . .	Breakeven point if paid
The 5 years will not count for annuity unless paid $5 \times 2\% \times \$120,000 = \$12,000$ per year reduction	Just over 2 years <i>If not paid – no annuity credit for these years! ...or loss of \$10,000 per year</i>



Voluntary Contributions

- Tax-deferred interest
 - 2.25% 2020
 - 1.375% 2021
 - 1.375% 2022
 - 1.875% 2023
 - 3.75% 2024

- Transfer to an IRA (including Roth IRA)
- Purchase additional retirement benefits



Summary of Federal Service

1. Your employing office will complete and certify this form for you.
2. Read carefully. Make sure all your Federal service is included on this form.
3. Complete Section E and return to employing office.

Certified Summary of Federal Service
 Federal Employees Retirement System

Office of Personnel Management
 (OPM Form 41)

Instructions for the Employee

1. Your employing office will complete and certify this form for you.
2. Review this form carefully for error or omission at all times.
3. Complete Section E, Employee's Certification, and return the form to your employing office.

Information for the Agency

1. A certified copy of this form must accompany the employee's Application for Domestic Retirement (SF 3107).
2. This form may also be used:
 - for retirement counseling purposes
 - to respond to an employee's request for a record of creditable service.
3. See the CSRS and FERS Handbook for Personnel and Payroll Offices for detailed instructions for completion and disposition of this form.

Section A - Identification

1. Name of employee (last, first, middle)	2. Date of birth (mm/dd/yyyy)	3. Social Security Number
4. List all other names used (include name, title, spelling variants)	5. Other birth dates used	6. Military serial number
	7. Service computation date for retirement purposes	

8a. Did this employee elect to transfer to FERS?
 No Yes, give effective date of election.

8b. If the employee elected to transfer to FERS, is the employee entitled, according to your records, to have part of the FERS annuity computed under CSRS rules?
 Yes No

9a. Does the applicant receive military retired pay?
 Yes (attach a copy of the applicant's military retired pay order, if available, and complete 9b.)
 No

9b. If yes, has the applicant waived military retired pay to enable military service for FERS retirement?
 Yes (attach a copy of the military finance center's letter to the employee accepting waiver, if available.)
 No (check date when a waiver is not necessary)

Section B - Verified Service History Documented in Official Personnel Records

Federal agency or military service branch	Appointments, promotions, or compensation dates for civilian and active honorably military service	State of retirement system*	Remarks and non-creditable time**
From (mm/dd/yyyy)	To (mm/dd/yyyy)		

* Give details of creditable civilian service not subject to retirement reductions in Section C.
 ** The Remarks column of CSRS covers only other retirement systems, including CSRS or CSRS Offset. Indicate if service was performed on a WAFB or intermittent basis, show the number of days worked in "Remarks." If the number of days worked is not available, then show the month or leave worked.

3007-108
 CSRS/FERS Handbook for Personnel and Payroll Offices
 Previous editions are not valid.
 Standard Form 5105-1
 Rev. and Mar. 2014



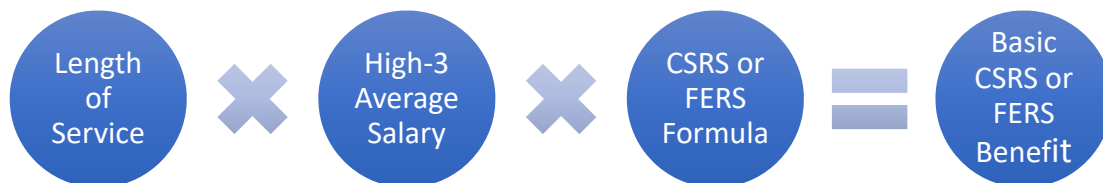
Module 1: Your Retirement Benefit

- Determine when you are eligible
- Determine your creditable service for retirement
- **Determine your basic retirement benefit**
- Consider survivor benefits
- Retirement processing



Determine Your Basic Retirement Benefit

- Your total length of service
- Your high-3 average salary
- The CSRS formula or FERS formula is used to calculate your unreduced basic retirement benefit.



Length of Service

- Retirement Date minus Retirement SCD = Length of Service

Example: Subtracting Dates to Calculate Length of Service			
	Year	Month	Day
Retirement Date 12/31/2025	2025	12	31
Retirement SCD 10/12/1993	- 1993	- 10	- 12
Length of Service 32 years 2 months 19 days	32	2	19

CSRS Maximum Annuity

- 80% plus unused Sick Leave
- Excess contributions
 - Applied towards deposit
 - Optional towards redeposit
 - Refunded (Voluntary Contributions)

Credit Unused Sick Leave

- Add to length of service
- Use for benefit computation
- No limit on the amount



Convert Sick Leave Hours

2350	Hours of Sick Leave
<u>- 2087</u>	Hours in 1 year
= 263	1 month, 16 days

Total creditable Sick Leave: 1 year, 1 month, 16 days

Use chart on page 1-26



Converting Unused Sick Leave (Bottom of Chart)

Days	Months											
	0	1	2	3	4	5	6	7	8	9	10	11
15	87	261	435	609	783	957	1131	1304	1478	1652	1826	2000
16	93	267	441	615	789	962	1136	1310	1484	1658	1832	2006
17	99	273	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2018
19	110	284	458	632	806	980	1154	1328	1502	1675	1849	2023
20	116	290	464	638	812	986	1160	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	146	319	493	667	841	1015	1188	1362	1536	1710	1884	2058
26	151	325	499	673	846	1020	1194	1368	1542	1716	1890	2064
27	157	331	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1560	1733	1907	2081



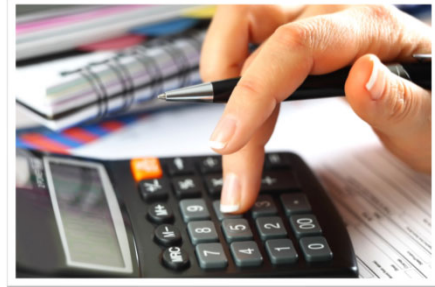
Add Unused Sick Leave to Total Service

	Years	Months	Days
Creditable Service	32	2(+1)	19
Unused Sick Leave	<u>+ 1</u>	<u>+ 1</u>	<u>+ 16</u>
Total Creditable Service	33	4	5



Calculating Your High-3 Salary

- Your high-3 salary will be your highest average basic pay over any consecutive 3-year period in Federal service.



Basic Pay

YES	NO
Regular pay	Lump-sum payment for accrued and accumulated Annual Leave
Locality-based pay	Bonuses and overtime, holiday, Sunday premium, and military pay
Environmental differential pay	General Schedule night differential pay
Premium pay for standby time	Travel allowances
Law enforcement availability pay	Recruiting or retention bonuses
Night differential pay for Federal Wage System employees only	
Special pay rate for recruiting and retention purposes	

Determine the High-3 Period

	Year	Month	Day
Retirement Date	2025	12	31
Subtract 3 years	<u>-3</u>	<u>-0</u>	<u>-0</u>
Beginning of High-3	2022	12	31



Determine Your Average High-3 Salary

Beginning Date	End Date	Total Time	Time Factor	Annual Rate	Total Basic Pay
1/01/23	1/6/24	1-0-6	1.017	\$80,430	\$81,797
1/7/24	8/3/24	0-6-27	.575	\$82,038	\$47,171
8/4/24	1/4/25	0-5-1	.419	\$84,499	\$35,405
1/5/25	12/31/25	0-11-26	.989	\$86,189	\$85,240
Sum of Total Basic Pay					\$249,615
High-3 Salary					\$83,205



Time Factors Used to Calculate High-3 Average Salary

Days	Months											
	0	1	2	3	4	5	6	7	8	9	10	11
0	-----	.083	.167	.250	.333	.417	.500	.583	.667	.750	.833	.917
1	.003	.086	.169	.253	.336	.419	.503	.586	.669	.753	.836	.919
2	.006	.089	.172	.256	.339	.422	.506	.589	.672	.756	.839	.922
3	.008	.092	.175	.258	.342	.425	.508	.592	.675	.758	.842	.925
4	.011	.094	.178	.261	.344	.428	.511	.594	.678	.761	.844	.928
5	.014	.097	.181	.264	.347	.431	.514	.597	.681	.764	.847	.931
6	.017	.100	.183	.267	.350	.433	.517	.600	.683	.767	.850	.933
7	.019	.103	.186	.269	.353	.436	.519	.603	.686	.769	.853	.936
8	.022	.106	.189	.272	.356	.439	.522	.606	.689	.772	.856	.939
9	.025	.108	.192	.275	.358	.442	.525	.608	.692	.775	.858	.942
10	.028	.111	.194	.278	.361	.444	.528	.611	.694	.778	.861	.944



CSRS: Calculate Your Basic Benefit

1.50%	x	High-3	x	First 5 years of service
1.75%	x	High-3	x	Second 5 years of service
2.00%	x	High-3	x	Remaining years and months of service



Calculate Basic Benefit Using the CSRS Formula

Calculate Basic Benefit Using the CSRS Formula						
1.50%	X	\$83,205	X	5	=	\$ 6,240
1.75%	X	\$83,205	X	5	=	7,280
2.00%	X	\$83,205	X	23.3333	=	38,828
Basic Benefit =						\$52,348

$$.629167 \times \$83,205 = \$52,348$$

Sick Leave increased benefit computation by 1 year and 2 months and added **\$1,940 / year or \$161 / month** to benefit amount

CSRS: Part-Time Service

For service performed:	Calculate the High-3 average using:	Credit the service as:	Prorate the service:
Before 4/7/86	Full-time basic pay rates	Full time	Not applicable
After 4/6/86	Full-time basic pay rates	Hours worked	Divide the total hours worked after 4/6/86 by the total hours in a full-time schedule

CSRS Offset

- Receive full CSRS benefit until age 62
- CSRS benefit is offset by the lesser of:
 - ✓ Social Security benefit attributable to Offset service, or
 - ✓ Based on a formula prescribed by law



CSRS Offset: Calculation 1

- OPM requests Social Security amount attributable to CSRS Offset service from Social Security Administration

Example: Social Security attributable to Federal Service performed after 12/31/83: **\$8,000**



CSRS Offset: Calculation 2

Formula: (Years of Offset service ÷ 40) x Social Security benefit

Example:

$15 \div 40$	=	.375
$.375 \times \$14,400$	=	\$5,400



CSRS Offset: Compare

The lesser of the two: (Example)

Calculation 1	\$8,000
Calculation 2	\$5,400
The lesser of the two:	\$5,400
Apply the Offset:	$\$52,348 - \$5,400 = \$46,948$
Add Social Security:	$\$46,948 + \$14,400 = \$61,348$



Disability Retirement

- Employees with more than 21 years and 11 months of service receive their actual earned benefit for years of service multiplied by High-3
- Employees with less service receive a guaranteed minimum benefit (usually 40% of High-3)



Alternative Form of Annuity

- Non-disability retirement
- Retire with a life-threatening condition
- Receive a lump-sum credit of retirement contributions
- CSRS or FERS benefits are reduced actuarially
- Does not affect the survivor benefit



Cost-of-Living Adjustment (COLA)

- Based on the change in the CPI
- Provided for all CSRS retirees

YEAR	CSRS
2018	2.0%
2019	2.8%
2020	1.6%
2021	1.3%
2022	5.9%
2023	8.7%
2024	3.2%



Q & A QUESTIONS AND ANSWERS



Federal Retirement Benefits: for CSRS and CSRS Offset Employees, Part 2

Presented by:

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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Module 1: Your Retirement Benefit

- **Consider survivor benefits**
- Retirement processing



Consider Survivor Benefits

Death of **EMPLOYEE**:

- Spousal monthly survivor benefit (spouse/former spouse) – automatic/not elected
- Monthly survivor benefits for child(ren)
- Lump-sum payments



Consider Survivor Benefits

Death of **RETIREE**:

- Elected spousal (current and/or former) monthly survivor benefit
- Insurable interest survivor benefit (only electable once; not payable with death in service)
- Monthly survivor benefits for child(ren)
- Lump-sum payments



Designation of Beneficiary

Designate beneficiaries or payments go to:

1. Your widow or widower
2. Your children or their descendants
3. Your parents
4. Executor/administrator of estate
5. Other next of kin



Update Your Beneficiary Designations

Designation of Beneficiary Forms (www.opm.gov/forms)	Form / Website
CSRS or FERS retirement contributions and final retirement payment	SF 3102
Unpaid Compensation of Deceased Civilian Employee (last paycheck and annual leave)	SF 1152
FEGLI (Federal Employees' Group Life Insurance)	SF 2823
TSP (Thrift Savings Plan)	<i>My Account</i> at tsp.gov



TSP Beneficiary Participant Accounts (Spouse)

Advantages	Disadvantages
All TSP investment options available	Not eligible for loans
Variety of withdrawal options	Cannot accept transfer or rollover
Tax benefits	Death benefits cannot be transferred to IRA (including inherited IRA)
Simplicity	Date for RMD based on age of deceased



TSPBK33 available at www.tsp.gov; this slide is not in your book.

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Spousal Survivor Benefits: Death of Federal Employee

Spouse (5+ years of service):

- 22+ years of service, 55% of earned retirement benefit (regardless of age)
- Fewer than 22 years of service, 55% of earned disability retirement benefit (40% of your High-3 or your earned annuity projected to age 60, whichever is less)



Page 1-52

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Qualifying Criteria for Former Spouse Survivor Benefit

A former spouse may receive a survivor benefit if:

- Marriage lasted at least 9 months; and
- Awarded a survivor benefit by court order or decree in a divorce taking place after May 6, 1985; and
- Did not remarry before age 55 (unless the marriage between the employee and the former spouse lasted at least 30 years).



Children's Survivor Benefit

- Payable to dependent children upon the death of a retiree
- An automatic benefit; no election is required
- Under law, a child is defined as an unmarried dependent child, including:
 - a recognized natural child
 - an adopted child
 - a stepchild (stepchild living with the employee in a regular parent-child relationship)
 - a child of same-sex marriage
- Eligible children are unmarried AND:
 - Under age 18, or
 - Between 18 – 22, if full time student, or
 - Disabled prior to age 18 and incapable of self-support



Children’s Survivor Benefit (CSRS) (OPM)

Fixed rate per child; 12/1/23 – 11/30/24*:

- \$656 per month per child (1 living parent), \$1,968 maximum
- \$787 per month per child (no living parent), \$2,361 maximum



Spousal Survivor Benefit Elections at Retirement

Requirements	Changes Post Retirement
No health requirements	Within 30 days of retirement
Married minimum 9 months, unless accidental death	Increase benefit within 18 months with substantial penalty
Payable immediately until death or remarriage before age 55	Elect within 2 years of post-retirement marriage
	Reduction ends if marriage ends



Spousal Survivor Benefit Elections at Retirement

Former Spouse

- Election available with consent of current spouse, if applicable
- Court orders take precedence
- Submit court orders to OPM
- Acceptable for processing requirements
- Include court order with retirement application
- Terminates on death of former spouse or remarriage before 55 (unless married 30+ years)



Spousal Survivor Benefit

	Survivor Benefit	Reduction to Retiree Benefit
Max	55% of the retirement benefit	2.5% of the first \$3,600 of CSRS retirement benefit; 10% of amount over \$3,600
Partial	55% of the elected dollar amount	2.5% of the elected dollar amount up to \$3,600; 10% of amount over \$3,600



Example: Spousal Survivor Benefit

- Unreduced Retirement Benefit = \$60,000
- Partial Election: \$10,000 (elected amount)

	Survivor Benefit	Retirement Benefit With Reduction
Max	55% of \$60,000 = \$33,000	\$54,270
Partial	55% of \$10,000 = \$5,500	\$59,270

Insurable Interest Survivor Benefit

Retiree must:

- Be in good health
- Not retire under disability
- Name one person at time of retirement:
 - A close relative, or
 - Someone who depends on retiree for support

Insurable Interest Survivor Benefit

	Survivor Benefit	Reduction to Retirement benefit
CSRS or FERS	55% of the reduced benefit	10% if less than 5 years younger 15% if between 5 and 9 years younger 20% if between 10 and 14 years younger 25% if between 15 and 19 years younger 30% if between 20 and 24 years younger 35% if between 25 and 29 years younger 40% if 30 or more years younger

Module 1: Your Retirement Benefit

- Consider survivor benefits
- **Retirement processing**

Choosing Your Retirement Date

Best Day for CSRS Employees

Best Day for CSRS and FERS Employees

Which day of the month?

- Last day of the month (FERS and CSRS)
- CSRS 1st, 2nd, or 3rd also
- End of leave period

Retirement Processing

- Apply for retirement
- Forms
 - CSRS: SF 2801
- Last paycheck and payment for unused annual leave
- When you will get your first CSRS or FERS payment
- Withholdings
- When your application is finalized

Retirement Processing, cont'd.

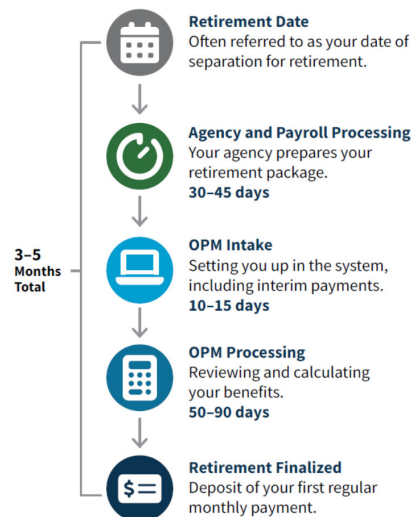
- Credit for Federal civilian service if you did not make retirement contributions
- Changing your FEHB health insurance coverage after retirement
- Changing your FEGLI life insurance coverage after retirement



OPM Process at a Glance

OPM Retirement Quick Guide:

- <https://www.opm.gov/retirement-center/retirement-quick-guide/opm-retirement-quick-guide.pdf>



Current estimates as of November 2023



SF 2801 – CSRS Application for Immediate Retirement

Everyone must answer #1 and #2:

- Are you married *now*?
- Do you have a living former spouse entitled to retirement or survivor benefits?

Section E - Marital Information (All applicants must complete questions 1 and 2 below.)

1. Are you married now? (A marriage exists until ended by death, divorce, or annulment. You must notify the Office of Personnel Management if this marriage ends.)

Yes (Complete items 1a - 1f and attach a copy of your marriage certificate) No (Go to item 2)

1a. Spouse's name (last, first, middle)	1b. Spouse's date of birth (mm/dd/yyyy)	1c. Spouse's social security number(s)
1d. Place of marriage (city, state)	1e. Date of marriage (mm/dd/yyyy)	1f. Marriage performed by: <input type="checkbox"/> Clergyman or Justice of Peace <input type="checkbox"/> Other (explain):

2. Do you have a living former spouse(s) from whom you were divorced on or after May 7, 1985, and to whom a court order gives a survivor annuity or, awards a portion of your retirement benefit based on your Federal employment?

Yes (Attach a certified copy of the court order(s) and any amendments.) No

U.S. Office of Personnel Management
 CSRS/FERS Handbook for Personnel and Payroll Offices
 NSN 7540-00-634-4250

2801-111

Standard Form 2801
 Revised June 2013
 Previous editions are not usable.



SF 2801 CSRS Application for Immediate Retirement

Section F - Annuity Election

Make your election by initialing the box beside the type of annuity you want to receive and give any other information requested. Read the attached information on pages 2 through 5 and the explanations below and consider your election carefully. No change will be permitted after your annuity is granted except as explained on pages 7 and 8 of the attached instructions. If you are married at retirement, the law provides an annuity with full survivor benefits for your spouse unless your spouse consents to your election not to provide maximum survivor benefits. An election for your spouse ends if your marriage ends by death, divorce, or annulment.

1. **Initials** I choose a reduced annuity with maximum survivor annuity (equal to 55% of my basic annuity) for my spouse named in Section E. 1a. If you are married at retirement, you will receive this type of annuity unless your spouse consents to your election not to provide maximum survivor benefits. If your marriage ends by death, divorce, or annulment, this election terminates and you must notify the Office of Personnel Management.

2. **Initials** I choose a reduced annuity with a partial survivor annuity (equal to 55% of \$ _____ a year) for my spouse named in Section E. 1a. If you choose this option, the amount you enter must be less than your annual annuity. You must have your spouse's consent. Complete SF 2801-2, Spouse's Consent to Survivor Election, and attach it to your application. If your marriage ends by death, divorce, or annulment, this election terminates and you must notify the Office of Personnel Management.

3. **Initials** I choose an annuity payable only during my lifetime. If you are married at retirement, you cannot choose this type of annuity without your spouse's consent. No survivor annuity will be paid to your spouse after your death if he or she consents to this election and any health benefits will cease. In addition, your spouse will not be eligible to enroll in the Federal Long Term Care Insurance Program. If he/she is not enrolled at the time of your death. If you are married and elect this type of annuity, complete SF 2801-2, Spouse's Consent to Survivor Election, and attach it to your application.

4. **Initials** I choose a reduced annuity with survivor annuity for the person named below who has an insurable interest in me. You must be healthy and willing to provide medical evidence if you choose this type of annuity. (Disability annuitants are not eligible to choose this type of annuity.) If you are married and elect this type of annuity, complete SF 2801-2, Spouse's Consent to Survivor Election, and attach it to your application. **NOTE: This election is not included in determining the 55% maximum for the combined benefit elected for a spouse and former spouse in box 5.**

Name of person with insurable interest	Relationship to you	Date of birth (mm/dd/yyyy)	Social security number
--	---------------------	----------------------------	------------------------

5. **Initials** I choose a reduced annuity with survivor annuity for my former spouse(s) or for my spouse and former spouse(s) shown below. You must attach: (1) Copies of divorce decrees for all former spouses for whom you elect to provide a survivor annuity. (2) If you are married, attach a completed SF 2801-2, Spouse's Consent to Survivor Election. You cannot choose this option and provide a maximum survivor annuity for your spouse (Box 1). An election for a former spouse ends if your former spouse dies or remarries before age 55, unless you were married for 30 years or longer. If one of these events occurs, this election terminates and you must notify the Office of Personnel Management.

Name and address of current spouse	Date of marriage (mm/dd/yyyy)	Date of divorce (mm/dd/yyyy)	Survivor annuity equal to _____% of my annuity
Name and address of former spouse	Date of birth (mm/dd/yyyy)	Social security number	Survivor annuity equal to _____% of my annuity



Reemployed Annuitants

Options:

- Salary offset by CSRS or FERS annuity
- Dual compensation waiver
- Work for a government contractor
- Personal services contract



NITP as a Resource

www.nitpinc.com

- **ForYourBenefit** eNews
- NITP webinars
- Checklists for each career stage



Summary (Parts 1 and 2)

- Determine when you are eligible
- Determine your creditable service for retirement
- Determine your basic retirement benefit
- Consider survivor benefits
- Retirement processing



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Q & A
QUESTIONS AND ANSWERS


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Thank You For Attending

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Deposit and Redeposit Service

Presented by: Vanessa Craddock,
Federal Benefits Specialist


nitpinc.com

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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Service Deposits and Redeposits

- FERS/CSRS civilian service deposits
- FERS/CSRS redeposits
- Post 56 military service deposits



3

Service Deposits and Redeposits

Typically, there are 3 types of deposits/redeposits employees may owe:

- Civilian Deposits
- Redeposits
- Military Service Deposits

NOTE: To keep track of how much service you have, you need to know your Service Computation Dates (SCDs) – Leave and Retirement



4

Creditable Service

Service Computation Dates

- Retirement (RSCD)
- Leave

Not always the same!



5

Leave SCD

- Leave SCD located on SF 50 in block 31 and on the LES.
- Leave SCD is used to determine when you will begin to earn 6 or 8 hours of Annual Leave per pay period instead of 4.
- Leave SCD will include all civilian service whether you pay a deposit or not.
- Leave SCD may include prior Active-Duty military service for leave earning purposes only.



6

Retirement SCD

- The Retirement SCD shows when your Federal service became creditable for retirement.
- It is not found on the SF 50 or LES.
- RSCD counts for eligibility and for computation.
- Service for eligibility is generally the number of years needed to be able to retire.
- Service for computation is the amount of covered service an employee has. Covered service is generally service for which retirement contributions have been made. An employee may have more service for eligibility than for the computation.
- Paying deposits/redeposits can make service count for both.



7

Can the SCD Change?

The retirement SCD can be changed if you:

- Have more than 6 months of LWOP in one calendar year.
- Have a break in service over 3 days.
- Have a move from an Intermittent or WAE appointment to a regular work schedule.
- Pay a deposit for service.



8

Deposit

- A deposit is the payment for a period of employment when retirement deductions were not withheld from your salary.
- It may also be for a period of service you wish to make creditable for retirement.
- If you have worked non-deduction service, you owe a deposit.
- If you have prior Peace Corps or VISTA service you wish to make creditable, you owe a deposit.



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Non-Deduction (Deposit) Service

No retirement deductions are withheld from pay (FICA)

Examples:

- Temporary Appointments/Term Appts (some)
- Student programs, generally
- Casual employment (USPS)
- Internships
- Intermittent Service or WAE
- Peace Corps and VISTA service



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FERS Civilian Service Deposit

Rules for FERS deposit service:

- Pre 1/1/89
 - You owe a deposit and if paid, service will count for eligibility and computation
 - If deposit is not paid, service will NOT count, and
 - You will be paid less in your retirement payments
- On or after 1/1/89
 - Unable to make deposit payment for FICA Only Federal Civilian Service (Exceptions: Peace Corps, VISTA)



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FERS Deposit Example

- Tom is FERS, hired 3/7/86 as a temporary employee (paid FICA taxes only)
- Tom becomes permanent employee 3/7/87 (pays FERS & FICA)
- Tom's Leave SCD is 3/7/86
- Tom's Retirement SCD is 3/7/87



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FERS Deposit Example, cont'd.

- If Tom pays a civilian deposit for his service from 3/7/86 – 3/7/87, his first year of service will count for both eligibility and computation.
- He will fill out SF 3108 from his HR office.
- Form is sent to US Office of Personnel Management.
- OPM will notify Tom of the amount he owes, including interest and payment options.
- Once his deposit is paid, his RSCD will become 3/7/86.



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How Much Do I Owe? (FERS)

Civilian Deposit – 1.3% of base pay Plus interest

NOTE:
 Interest compounds annually on unpaid deposit amount as of Dec. 31st each year.



Variable Interest Rates

1985	13.0%	1998	6.75%	2011	2.75%	2024	3.75%
1986	11.125%	1999	5.75%	2012	2.25%		
1987	9.0%	2000	5.875%	2013	1.625%		
1988	8.375%	2001	6.375%	2014	1.625%		
1989	9.125%	2002	5.5%	2015	2.0%		
1990	8.75%	2003	5.0%	2016	2.0%		
1991	8.625%	2004	3.875%	2017	1.875%		
1992	8.125%	2005	4.375%	2018	2.125%		
1993	7.125%	2006	4.125%	2019	2.75%		
1994	6.25%	2007	4.875%	2020	2.25%		
1995	7.0%	2008	4.75%	2021	1.375%		
1996	6.875%	2009	3.875%	2022	1.375%		
1997	6.875%	2010	3.125%	2023	1.875%		



How Much More? (FERS)

Quick Example:

Deposit amount due (including interest): \$1,200

FERS pension with deposit paid: \$2,150/month

FERS pension if deposit NOT paid: \$2,000/month

Difference of \$150/month... not a bad investment of \$1,200!

Most folks get their investment back within the first year of retirement.



16

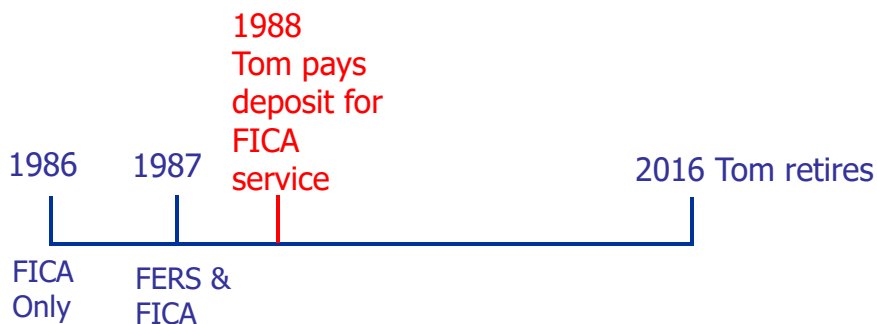
Should I Pay a Service Deposit? (FERS)

**No Payment = No Credit
in FERS Pension**



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Tom's Example of Pre 1/1/1989 FERS Civilian Deposit Service



NOTE: Since Tom will pay his deposit, he can retire in 2016. If Tom doesn't pay, he must work another year to be eligible to retire.



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FERS Civilian Service Deposit

- On or after 1/1/89
- Unable to make deposit payment for FICA Only Federal Civilian Service (Exceptions: Peace Corps, VISTA)



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FERS Deposit Example

- Fred started Federal service in 1993. He worked in a temporary position before his permanent appointment in 1995.
- Fred contacts HR about retiring this year. He will have worked 30 years by December 31, 2023.



Example of Fred’s Post 1988 FERS Civilian Deposit Service



Note: Non-deduction service (FICA only) performed after 1988 is not creditable under FERS. Fred cannot pay back and must work 2 more years and retire 2025.



FERS Civilian Service Deposit

What if non-deduction service covers two time periods?

- FICA service spans Pre 1/1/89 & After 1/1/89
- How much do I owe?



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Example of Pre 1/1/89 & Post 1988 FERS Civilian Deposit Service

- Only able to make deposit for service up through 12/31/1988



Note: Non-deduction service performed after 1988 is not creditable under FERS.



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CSRS Civilian Deposits

Two time periods:

- Pre 10/1/82
- On or after 10/1/82



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CSRS Pre-10/1/82 Deposit

- FICA service before 10/1/82 automatically counts in retirement processing, whether the employee pays a deposit or not.
- If employee does not pay, OPM will deduct a small amount from the pension monthly to recover the deposit.
- The reduction each month is permanent.



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Example: CSRS Civilian Deposit Pre-10/1/82

- 1 year of nondeduction
- Total base pay = \$7,000
- Deposit = \$1,200 (including interest)

If deposit is not paid. . .	Breakeven point if paid
Benefit will be reduced by 10% of the deposit owed. \$1,200 x 10% = \$120 per year	About 10 years (reduction is permanent)



Post 10/1/82 CSRS Deposit

For FICA service 10/1/82 and after, the deposit must be paid, or the service will count for eligibility only, not in the computation.

To pay a deposit for CSRS service, complete SF 2803.



Post 10/1/82 CSRS Deposit Example

- Mary was hired 12/1/82 as a temporary employee for 1 year.
- She became permanent 12/1/83.
 - If she pays deposit, the year will count for eligibility and computation.
 - If she does not, the year will count for eligibility only .



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Example of Mary's Post 10/1/82 CSRS Civilian Deposit Service



Note: Non-deduction service performed after 10/1/82 is not included in CSRS retirement computation if deposit not paid. Mary can retire but will be missing one year of service in her computation unless she pays.



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Example: CSRS Civilian Deposit Post 10/1/82

- 1 year of nondeduction
- Total base pay = \$20,000
- Deposit = \$5,600 (including interest)
- Employee's high-3 salary = \$65,000

If deposit is not paid. . .	Breakeven point if paid
The nondeduction period will not be considered in the CSRS retirement benefit calculation. 2% x \$65,000 = \$1,300 per year	Just over 4 years



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Service Deposits and Redeposits

- FERS/CSRS civilian service deposits ✓
- FERS/CSRS redeposits
- Post 56 military service deposits



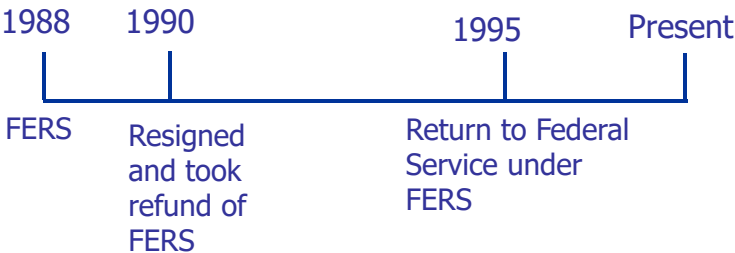
31

Redeposits

- A redeposit is the repayment of retirement deductions that were previously withheld and refunded to you, plus interest.



Example of FERS Redeposit Service



Note: In 2009, the law under FERS changed and now allows for FERS Redeposits.



How Much More? (FERS)

Quick Example:

Refunded \$500 in 1990 for 2 years of service under FERS

Redeposit amount due (including interest): \$2,000

FERS pension with redeposit paid: \$2,150/month

FERS pension if redeposit NOT paid: \$2,000/month

Difference of \$150/month... not a bad investment of \$2,000!

Most folks get their investment back within the first year of retirement.



34

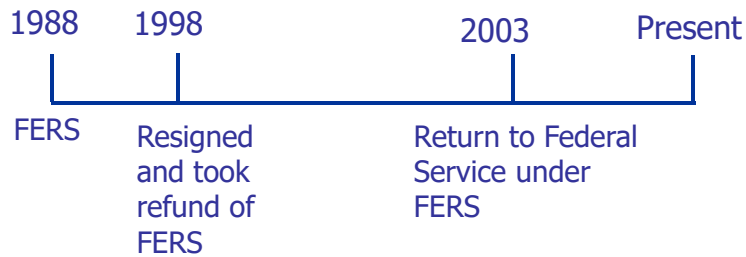
Should I Pay a Redequest?

Service counts for eligibility = No Credit in FERS Computation



35

Example of FERS Redeposit Service



Note: Employee may retire in 2023 but will have only 20 years of creditable service in computation. The years 1988 to 1998 count for eligibility only. If redeposit is paid, all service counts.



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CSRS Redeposit Service

Two time periods:

- Pre 3/1/91
- On or after 3/1/91



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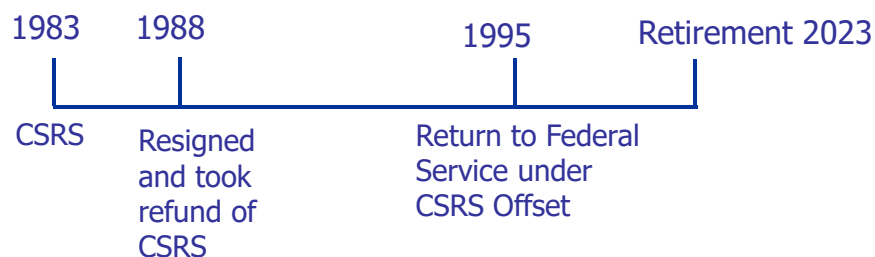
CSRS Pre 3/1/91 Redeposit

- If your refund covered work you performed before 3/1/91:
 - Service still counts for retirement (eligibility and computation) whether you pay it back or not
 - If you don't pay redeposit, there will be an actuarial reduction to recover what you owe
 - Lasts for your lifetime



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Example of CSRS Redeposit Service



Note: For a refund prior to 3/1/91, service will count whether refund paid or not. An actuarial reduction will be taken.



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Example: CSRS Redeposit Pre 3/1/91

- Age 60
- Refunded = \$10,000
- Redeposit = \$50,000 (including interest)

If deposit is not paid. . .	Breakeven point if paid
An actuarial reduction will be applied to the retirement benefit. $\begin{aligned} & \$50,000 \div 240.2 = \\ & \$208.20 \text{ per month or} \\ & \$2,498.40 \text{ per year reduction} \end{aligned}$	20 years after separation



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CSRS Post 3/1/91 Redeposit

- If you took a refund that included work you performed 3/1/91 and after, and do not pay back, refunded service will count only for retirement eligibility.
- You will lose credit for all refunded service in the computation of your benefits.
- Your retirement payments will be reduced.



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Example: CSRS Redeposit Post 3/1/91

- Refunded 1992= \$17,500 for 10 years of service
- Redeposit = \$50,000
- Employee's high-3 salary = \$65,000

If deposit is not paid. . .	Breakeven point if paid
The refunded service will not be used in the CSRS retirement benefit calculation. $10 \times 2\% \times \$65,000 = \$13,000$ per year reduction	About 4 years



42

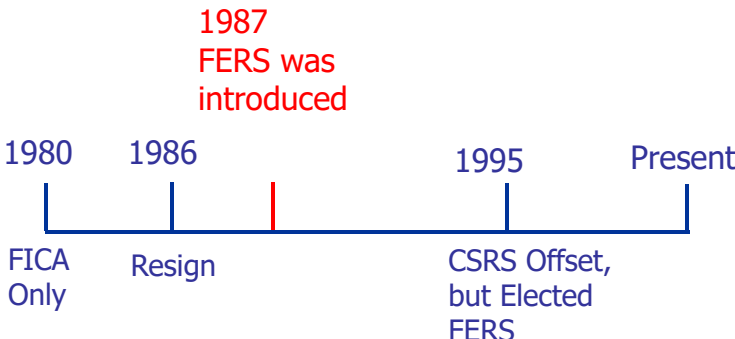
TransFER Employees Deposits/Redeposits

- If you had 5 years or more Federal civilian service under CSRS before electing to transfer into FERS, you are a TransFER employee.
- Check with your Agency Benefits/Retirement Officer to determine whether you have any unpaid CSRS Deposit/Redeposit service.



43

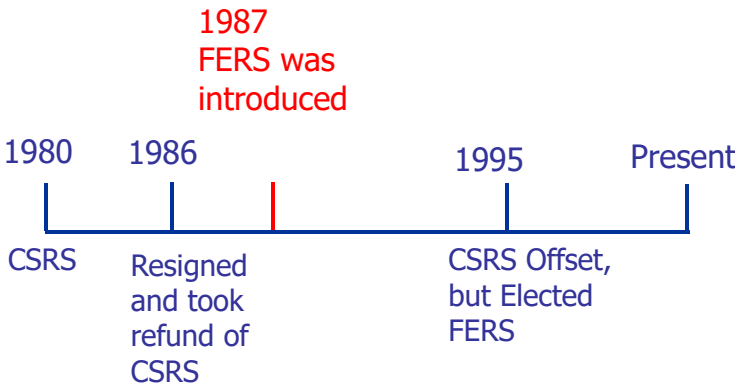
Example of CSRS Deposit Service for a TransFER Employee



Note: FICA Only service for more than 5 years prior to FERS.



Example of CSRS Redeposit Service for a TransFER Employee



Note: More than 5 years of CSRS service prior to separation.



TransFER Employees Deposits/Redequests

- It is usually best to make CSRS deposits for work performed on or after 10/1/1982, but it's usually not such a great investment for service performed prior to this date.
- It is usually best to make CSRS redequests for service ending on/after 3/1/1991, but it's usually not such a great investment for refunded service ending prior to this date.
- If applicable, talk to your Agency Benefits/Retirement Officer about your specific situation.



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Service Deposits and Redequests

- FERS/CSRS civilian service deposits ✓
- FERS/CSRS redequests ✓
- Post 56 military service deposits for FERS and CSRS



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Potentially Creditable Military Service

Honorable Active Service:

- Army
- Navy
- Air Force
- Marine Corps
- Coast Guard
- Public Health Service
- Including Military Academy Service
 - Which usually is NOT part of one's military retirement



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Potentially Creditable Military Service

Reserve Officer Training Corps

- When ordered to Active-Duty or
- Active-Duty for Training (ADT)
 - i.e. summer cruises, jump school, etc.

National Guard Service

- Only when called into Federal Active-Duty of the U.S.



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Potentially Creditable Military Service

Service in the Military Reserves

- Inactive Service: NO
- Active Service:
 - Service during weekly/monthly drills: NO
 - Service during annual 15-day training: YES
 - Training schools (ADT): YES

Exception:

- Military deposit not necessary if simultaneously employed as a Federal employee using their 15 to 22 days of paid annual military leave (credited as civilian service)



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Potentially Creditable Military Service

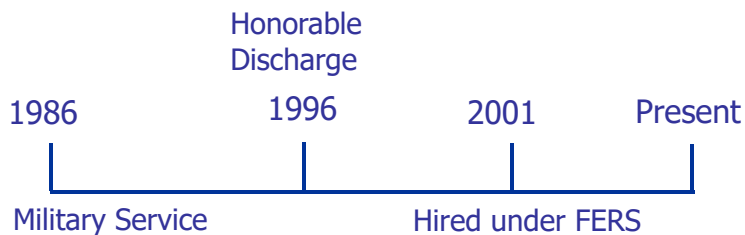
Leave With Out Pay (LWOP-US)

- While Federally Employed
- Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)
- A military deposit will be owed for this service



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Example of FERS Military Deposit Service



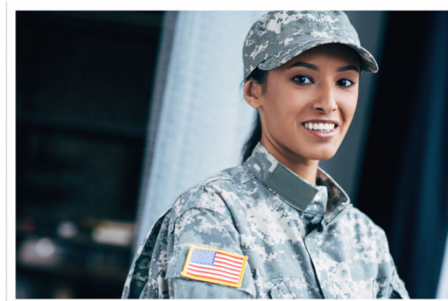
Note: This person did not retire from Active Duty.



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Military Service Deposit

- How much do you owe?
- What is the effect if you do not make the military deposit?



54

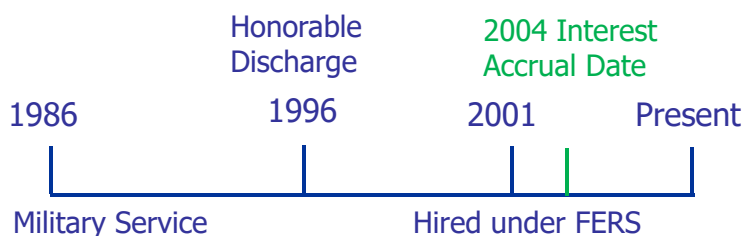
How Much Do I Owe?

- Use an RI 20-97 to request your estimated earnings.
- FERS (3% of military basic pay + interest).
 - First IAD is 3 years from your FERS EOD date, but no earlier than 1/1/1990.
 - Interest accrues and compounds annually.
- CSRS (7% of military basic pay + interest).
 - First IAD is 10/1/1986 or 3 years from your CSRS return to duty date, whichever is later.
- Note: There is a special calculation of the deposit amount due for Federal employees who perform Active Duty while on LWOP-US.



55

Example of FERS Military Deposit Service



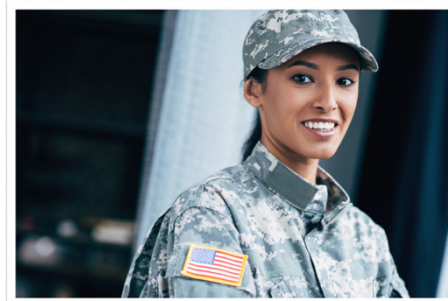
Note: This person did not retire from Active Duty.



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Military Service Deposit

- How much do you owe?
- What is the effect if you do not make the military deposit?



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Should I Pay a Military Deposit? (FERS)

**No Payment = No Credit
in FERS Pension**



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How Much More? (FERS)

Quick Example:

- Estimated earnings for 10 years of military service: \$250,000
- 2004 Initial Interest Accrual Date
- Deposit amount due (including interest): \$11,000
- FERS pension with deposit paid: \$2,100/month
- FERS pension if deposit NOT paid: \$1,400/month

Difference of \$700/month... not a bad investment of \$11,000!



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CSRS Military Service Deposit

Determine
whether to pay a
CSRS military service
credit deposit



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Determine Whether to Pay a CSRS Military Service Credit Deposit

When was the employee first covered under CSRS?

- Pre 10/1/82 (Catch-62)
- On or after 10/1/82
 - Similar to FERS rules
 - No Payment = No Credit



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Example: CSRS Post-56 Military Service Deposit

- Hired CSRS before 10/1/82, 4 years of military service
- Total military base pay = \$10,000
- Deposit = \$3,500 (including interest)
- Employee's high-3 salary = \$65,000
- Catch-62 (At age 62 or DOR, whichever is later)

If deposit is not paid. . .	Breakeven point if paid
The retirement benefit will be reduced by 2% of the employee's high-3 salary for every year of service <u>IF eligible for Social Security.</u> "Catch-62" $4 \times 2\% \times \$65,000 = \$5,200$	About 8 months Only if eligible for Social Security at age 62 or DOR, whichever is later... otherwise, perhaps it's best to leave this service unpaid.



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What If I Am Retired Military?

You can choose:

- Keep military separate from civilian retirement, OR
- Combine military with civilian service and waive military retirement.
- If choosing to combine, it is not necessary to waive military retirement until retiring from civilian service.



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What If I Am Retired Military?

Should I combine military with civilian service and waive military retirement annuity?

- FERS employees tend to do better by keeping benefits separate (but there are exceptions)...
- CSRS employees may benefit by combining and paying the deposit.



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What if I am Retired Military?

Exceptions:

- Retired Enlisted / High Salary Civilian
- Although military retirement might be waived... any pay from VA would not have to be waived

OR if military retirement was awarded:

- On account of a service-connected disability incurred in combat or caused by an instrumentality of war
- OR under the provisions of 10 U.S.C. 1223
 - i.e. Reserve Retirement at age 60



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Service Deposits and Redeposits

- FERS/CSRS civilian service deposits ✓
- FERS/CSRS redeposits ✓
- Post 56 military service deposits for FERS and CSRS ✓



66

Contact Human Resources Department

You can get the following information from your Agency Benefits / Retirement Office:

- Whether you owe Deposit/Redeposit service.
- Amount owed (including interest) for any unpaid deposit/redeposit service.
- A retirement estimate to reflect the impact of any unpaid deposits/redeposits on your future pension.



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Deposits and Redeposits

- If you choose to pay any deposits/redeposits, you can get the following forms from your Agency Benefits/Retirement Office:
 - SF-3108 FERS Application to Make Service Credit Payment
 - SF-2803 CSRS Application to Make Deposit or Redeposit
 - http://www.opm.gov/forms/pdf_fill/sf3108.pdf



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NITP as a Resource

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- **ForYourBenefit** eNews
- NITP webinars
- Checklists for each career stage



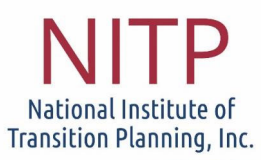
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Q & A
QUESTIONS AND ANSWERS



Thank You For Attending



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Federal Retirement Benefits: Social Security and Medicare


Presented by:
Bob Braunstein, Federal Benefits Specialist

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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Module 2: Social Security



2

Module 2: Social Security

- **Qualifying for a benefit**
 - Who
 - How
 - When
- Calculating your retirement benefit
- Claiming strategies



Qualifying for a Benefit: Who

CSRS	FERS
CSRS Exempt from FICA tax	Social Security part of FERS
CSRS-Offset pay FICA tax	
WEP and GPO may apply	

- Create or sign-in to your account at www.ssa.gov
- Free and secure
- Provides personalized tools for everyone whether you receive benefits or not



Qualifying for a Benefit: How

- Pay FICA taxes 6.2% of wages up to:
 - 2023: \$160,200
 - 2024: \$168,600
 - Earn 40 credits
- Social Security online calculators
- Maximum benefit amounts for high wage earners

\$1,730 = 1 credit 2024
4 credits per year (\$6,920+)
Fully Insured = 40 credits



Qualifying for a Benefit: How

- You may be able to estimate your retirement benefit
- www.ssa.gov/estimator
- Table: Benefit for workers with maximum-taxable earnings

Age in 2024	Maximum Monthly Benefit in 2024
62	\$2,710
65	\$3,426
66	\$3,652
67	\$3,911
70	\$4,873

NOTE: These illustrations assume steady earnings at the maximum level since age 22



Qualifying for a Benefit: When

- Full benefit at your Full Retirement Age (65 – 67)
- Reduced benefit at age 62
- Delayed retirement credits to age 70

If you were born in 1960 or later:

- Your Full Retirement Age is 67
- 70% of your full benefit payable at age 62
- 124% of your full benefit payable at age 70



Full Retirement Age (FRA)

Year of Birth	Full Retirement Age (FRA)	Benefits, as a percentage of Primary Insurance Amount (PIA), beginning at age:						
		62	63	64	65	66	67	70
1937	65 years	80.0	86.7	93.3	100.0	106.5	113.0	132.5
1938	65 years, 2 months	79.2	85.5	92.2	98.9	105.4	111.9	131.4
1939	65 years, 4 months	78.3	84.4	91.1	97.8	104.7	111.7	132.7
1940	65 years, 6 months	77.5	83.3	90.0	96.7	103.5	110.5	131.5
1941	65 years, 8 months	76.7	82.2	88.9	95.6	102.5	110.0	132.5
1942	65 years, 10 months	75.8	81.1	87.8	94.4	101.2	108.7	131.2
1943-1954	66 years	75.0	80.0	86.7	93.3	100.0	108.0	132.0
1955	66 years, 2 months	74.2	79.1	85.5	92.2	98.9	106.7	130.7
1956	66 years, 4 months	73.3	78.3	84.4	91.1	97.8	105.3	129.3
1957	66 years, 6 months	72.5	77.5	83.3	90.0	96.7	104.0	128.0
1958	66 years, 8 months	71.7	76.7	82.2	88.9	95.6	102.7	126.7
1959	66 years, 10 months	70.8	75.8	81.1	87.8	94.4	101.3	125.3
1960 or later	67 years	70.0	75.0	80.0	86.7	93.3	100.0	124.0



Social Security Topics

- Qualifying for a benefit
 - Who
 - How
 - When
- **Calculating your retirement benefit**
- Claiming strategies



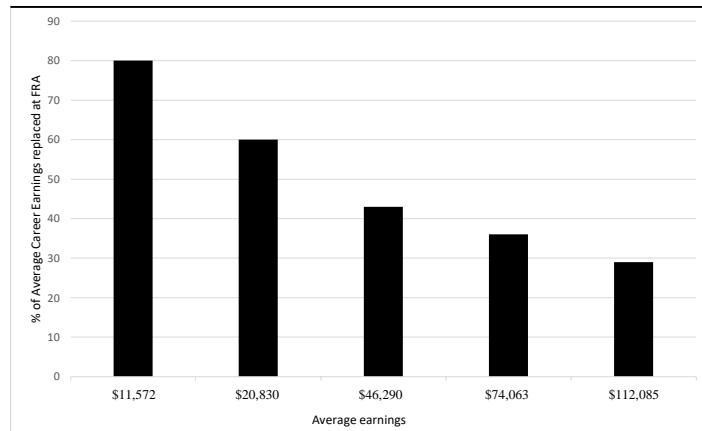
To Average Earning, Indexing is Applied

- Indexing equalizes career earnings
- Purchasing power set to \$ value at age 60
- No indexing for income beyond age 60
- Average determined dividing indexed earnings by 420 months (# months in 35 years)



Calculating the Retirement Benefit

- Social Security provides higher replacement rates to low wage earners
- Due to Social Security formula “bend points”
- The \$ benefit for higher earners is larger, but a lower percentage of career earnings



Source: Social Security Administration



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Calculate Your Estimated Monthly Benefit

- Index Earnings
- High-35 Years
- Divide by 420 Months
- Apply the formula (2024):
 - 90% of \$1,174 of AIME, plus
 - 32% of \$1,174 through \$7,078, plus
 - 15% of AIME over \$7,078
- Add a, b, and c (next slide)



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Calculate Your Estimated Monthly Retirement

Case A Calculation (AIME = \$5,321)

a.	90%	x	\$1,174	=	\$ 1,056.60
b.	32%	x	\$4,147 (\$5,321 - \$1,174)	=	1,327.04
c.	15%	x	\$0	=	\$0
Monthly Benefit at Age 67 (Full Retirement Age)					= \$2,383.60
Monthly Benefit at Age 62 (30% reduction)					= \$1,668.00

$\$2,383.60 \times 12 = \$28,603.20 / \$69,455 = 41.1\%$ of pre-retirement wages at FRA
 $\$1,668.00 \times 12 = \$20,016.00 / \$69,455 = 28.8\%$ of pre-retirement wages at age 62



Calculate Your Estimated Monthly Retirement

Case B Calculation (AIME = \$10,911)

a.	90%	x	\$960	=	\$ 864
b.	32%	x	4,825 (\$5,785 - \$960)	=	1,544
c.	15%	x	\$5,126 (\$10,911 - \$5,785)	=	\$768.90
Monthly Benefit at Age 66 & 8 months (FRA)					= \$3,176.90
Monthly Benefit with COLAs from age 62					= \$3,822

$\$3,822 \times 12 = \$45,864 / \$160,200 = 28.6\%$ of pre-retirement wages at FRA

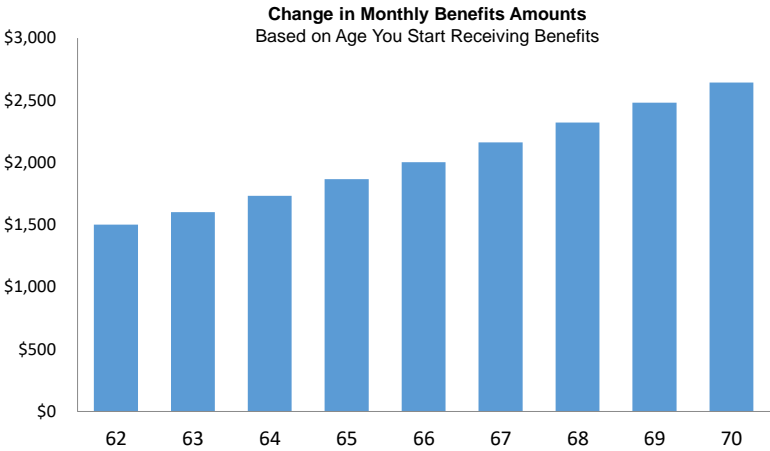


Delayed Retirement Credits

- For every month, increase your full benefit
- Earn delayed retirement credits up to age 70
- Percentage based on your year of birth
- Delayed retirement credits will also increase surviving spouse's or surviving divorced spouse's benefit



Delayed Retirement Credits



This chart assumes a \$2000 monthly benefit at your Full Retirement Age (66).



Reduction in Benefit Due to Earnings (2024)

If You Are	And Earn More Than	Your Benefit Will Be Reduced By
Under your Full Retirement Age (FRA)	\$22,320 per year (\$1,860 monthly)	\$1 for every \$2 over the limit
In the year you will reach your Full Retirement Age	\$59,520 that year (\$4,960 monthly)	\$1 for every \$3 over the limit until the month you reach Full Retirement Age
In the year(s) past reaching your Full Retirement Age	No limit	Zero



Social Security Topics

- Qualifying for a benefit
 - Who
 - How
 - When
- Calculating your retirement benefit
- **Claiming strategies**



Claiming Strategies

Strategy #1: Claiming at age 62 or at retirement, if later

- Do you need the money?
- Are you in poor health?
- Do you have dependent children?



Claiming Strategies:

Strategy #2: Delay claiming to your Full Retirement Age (FRA) or as late as age 70

- Want a higher monthly benefit
- Anticipate high longevity
- Married couples – higher earner sets up higher survivor benefit
- Use TSP or other investment income first – reduce future required distributions from the TSP



Changing a Strategy: Stopping or Suspending

Stop benefits

- Within 12 months of starting
- Repay & re-apply (do over)

Suspend benefits

- Started drawing before FRA
- Received more than 12 months
- May suspend anytime between FRA and 70



Dual Entitlement Example: Stacy and Sam

Example: Stacy and Sam

	Benefit	Amount
Stacy (66 years)	Stacy Full Benefit	\$2,045
Sam (70 years)	Sam Delayed Retirement Credits (PIA at 67 was \$2,462)	\$3,240
Couple's Combined Amount (after 2026)		\$5,285
Surviving Spouse will receive the higher benefits		\$3,240



Spousal Benefits:



Example: Bill and Cathy

	Benefit	Amount
Bill (age 66)	Retirement Benefit	\$2,680.00
Cathy (age 62)	Spousal Benefit	\$938.00
Combined Amount		\$3,623.60
Cathy (FRA)		\$1,340.00
Cathy	Survivor Benefit	\$2,680.00
Debra (age 66)	Former Spouse	\$938.00
		\$1,340.00
		\$2,680.00

Taxes on Social Security

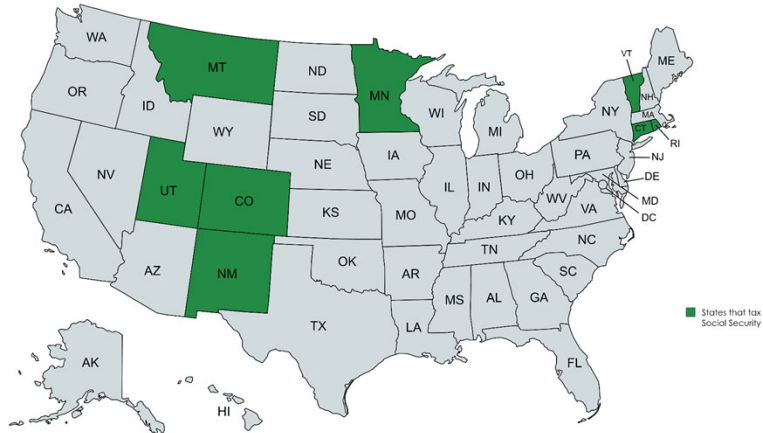
Individual Return	Joint Return	Pay tax on:
\$25,000 - \$34,000	\$32,000 - \$44,000	50% of benefit
More than \$34,000	More than \$44,000	85% of benefit

- Social Security Benefits Statement (Form SSA-1099)
- Estimated tax payments to the IRS or tax withholding from Social Security benefit
- See IRS Publication 915: Social Security and Equivalent Railroad Retirement Benefits

Does Your State Tax Social Security Benefits?

The only states that tax Social Security are:

- Colorado
- Connecticut
- Minnesota
- Montana
- New Mexico
- Rhode Island
- Utah
- Vermont

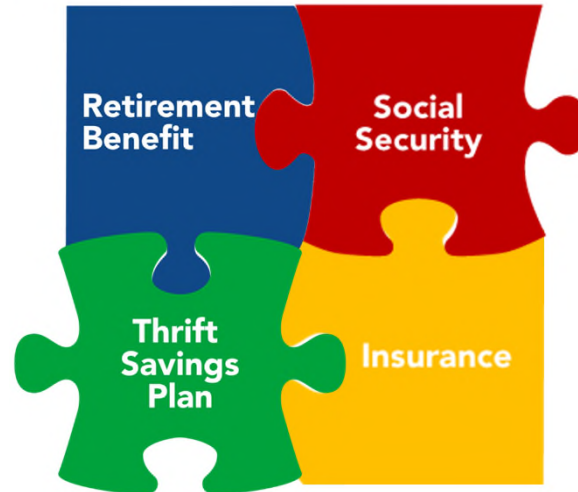


Interesting Facts

- 1940: 42 workers per retiree/2023: less than 3 workers per retiree
- Baby Boomers claiming Social Security @ 10K per day
- Additional \$ from Trust fund to fund current benefit levels will exhaust in 2034
- Benefits will have to be reduced by 20 to 25%... Unless we
 - **Raise OASDI cap – to delay reduction for 10 years**
 - **Increase OASDI tax to 7.4% – to delay reduction for 8 more years**
 - **Raise FRA to 70 and continue work income reduction to that age**
- Demographics could again support benefit on OASDI tax alone if worker-to-retiree ratio is more than 3 workers per retiree



Module 3: Federal Insurances



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Module 3: Federal Insurances

- Federal Employee Health Benefits (FEHB)
- High Deductible Health Plans (HDHP)
- **Medicare**
- Federal Employees Dental and Vision Insurance Program (FEDVIP)
- Flexible Spending Accounts (FSAs)
- Federal Employees' Group Life Insurance (FEGLI)
- Federal Long Term Care Insurance Program (FLTCIP)



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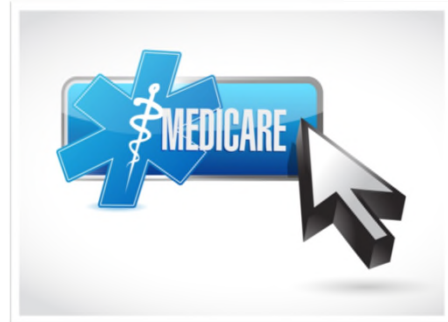
Medicare

Part A—Hospitalization

Part B—Doctors services, outpatient care

Part C—Medicare Advantage Plans

Part D—Prescription drug coverage



Enrollment in Medicare

- Initial Enrollment
 - 3 months either side of age 65
- Special Enrollment
 - Within 8 months of retirement
- General Enrollment
 - January – March
 - Coverage begins month after enrollment
 - Penalty for late enrollment



Medicare Premiums

Part A

- Most people receive Part A premium **FREE**

Part B

- Starts at \$174.70 (2024) per month per person
(chart on next slide)



Medicare Part B Premiums: IRMAA (Income-Related Monthly Adjusted Amount)

2024 Medicare Part B Premiums		
If 2022 Modified Adjusted Gross Income is:		Then Your 2024 Premium is:
Single	Married Couple	You Each Pay per month
\$103,000 or less	\$206,000 or less	\$174.70
\$103,001–\$129,000	\$206,001–\$258,000	\$244.60
\$129,001–\$161,000	\$258,001–\$322,000	\$349.40
\$161,001–\$193,000	\$322,001–\$386,000	\$454.20
\$193,001 - \$500,000	\$386,001 - \$750,000	\$559.00
\$500,001 and above	\$750,001 and above	\$594.00



Medicare Part A & B and FEHB

- It is **Your** decision
- Part A – free
- What's in it for you? Check Section 9 of FEHBP brochure
- Switch FEHBP plan
- Wraparound coverage with extra \$ to pay for Part B premium
- FEHB alone with cost-sharing (if less expensive)



Coordination of Benefits

- Primary payer – Medicare
- Secondary payer – FEHB
- TRICARE (military) – secondary to Medicare; tertiary if also enrolled in FEHB





Q & A
QUESTIONS AND ANSWERS

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Federal Retirement Benefits: Federal Insurances


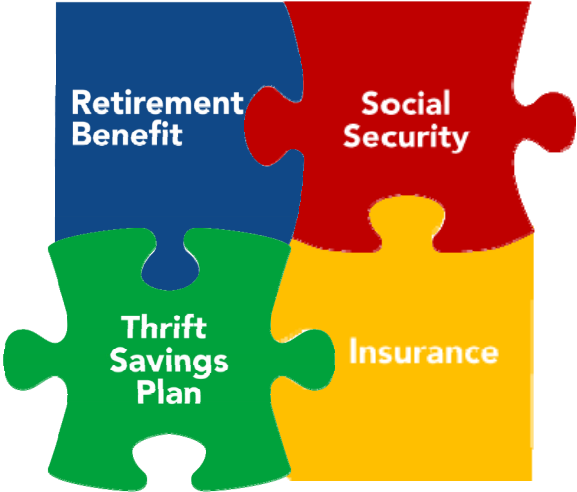
Presented by:
Bob Braunstein, Federal Benefits Specialist

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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Module 3: Federal Insurances



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Module 3: Federal Insurances

- Federal Employee Health Benefits (FEHB)
- High Deductible Health Plans (HDHP)
- Medicare (discussed during previous session)
- Federal Employees Dental and Vision Insurance Program (FEDVIP)
- Flexible Spending Accounts (FSAs)
- Federal Employees' Group Life Insurance (FEGLI)
- Federal Long Term Care Insurance Program (FLTCIP)



Health Insurance (FEHB)

Requirements to continue coverage:

- Retire on an immediate annuity
 - Includes postponed MRA + 10, if eligible to apply at separation
 - Deferred annuitants not eligible
- Continuously covered for the 5 years immediately preceding retirement

If not eligible to continue coverage, may elect
Temporary Continuation of Coverage (TCC)



Health Insurance (FEHB), cont'd.

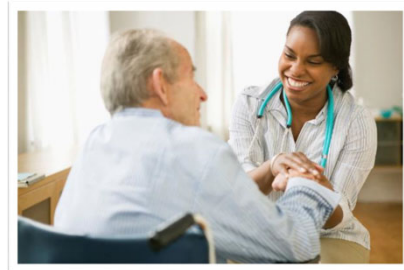
Open Season

- Open Season for retirees and for active employees
- OPM mails information to retirees for Open Season
- Employees and retirees cannot be denied coverage because of age, health, or preexisting conditions
- Information on the plans serving your area:
 - Compare Health Plans: <http://www.opm.gov/healthcare-insurance/healthcare/plan-information/compare-plans/>
 - Consumers' Checkbook Guide to Health Plans For Federal Employees: <http://www.checkbook.org/newhig2/hig.cfm>



FEHB Coverage in Retirement

- Cancellation
 - *Caution – This decision is irreversible*
 - *But can do this to change subscribership to Federal spouse who will work longer*
- Suspension if you have
 - TRICARE
 - Peace Corps
 - Medicare Advantage
- Premiums
 - Government continues to pay its share
 - Note for retired Public Safety Officers: \$3,000 deduction
 - Premiums deducted from CSRS or FERS



Family Coverage

- During Retirement
 - Family coverage continues
 - Children to age 26 / incapable of self support
- Survivors
 - Must receive survivor annuity
 - Basic employee death benefit qualifies
- Divorce
 - Change to Self-Only unless covering dependent children
 - Contact FEHB
 - TCC or spouse equity coverage for former spouse



High Deductible Health Plans (HDHP)

- Medical insurance with low premiums
- HSA helps pay for medical expenses
 - 2024 contribution limits
 - \$4,150 Self-Only
 - \$8,300 Self Plus One or Family
 - \$1,000 catch-up 55 and over
 - You do not have to use the funds in the plan year
 - The funds will earn interest
 - You will not lose the funds you contribute



Characteristics of a Health Savings Account (HSA)

- You do not have to use the funds in the plan year, balance remains in account
- Funds will earn tax-free interest
- Withdrawals for qualified expenses are tax-free
- Withdrawals for non-qualified expenses are taxed (and penalized of 10%, if under age 65)
- You will not lose funds if you change plans, leave Federal service, or retire



Federal Employees Dental and Vision Insurance Program (FEDVIP)

- 12 dental / 5 vision plans
- Enrollment periods
- Retirees may be eligible
- Continuation of FEDVIP coverage into retirement
 - No 5-year requirement
 - Coverage ends under MRA + 10 retirement if annuity is postponed
 - May reenroll when you begin receiving annuity
- Eligible family members

Federal Flexible Spending Accounts (FSAs)

- Allow employees to use pre-tax dollars to pay for medical and/or dependent care expenses
- Draw upon your FSA accounts for reimbursement as you incur eligible expenses
- Use for eligible expenses for you, your spouse, and your dependents
- Eligible expenses at www.fsafeds.com



Health Care Federal Flexible Spending Account (HCFSFA)

- Pre-tax dollars to help pay for medical expenses
- Deducted as a paycheck allotment
- Contribution Limits:
 - Minimum \$100
 - Maximum \$3,200
- Use it or lose it
- Carry over up to \$640 for HCFSFA and LEX HCFSFA



Dependent Care Flexible Spending Account (DCFSA)

- Pre-tax dollars to help pay for dependent care expenses
- \$5,000 household maximum
- Use it or lose it
- Grace period for DCFSA until March 15th to use prior year funds



Federal FSAs and Retirement

- Retirees are not eligible to participate
- You must use HCFSA funds before retirement
- You are not responsible for continuing payments after retirement
- You may use DCFSA funds after retirement for expenses incurred while working



Life Insurance (FEGLI)

- Basic and 3 optional types of coverage
- The Government pays 1/3 of the premium for Basic life
- Employees pay 2/3 of the premium for Basic life and the total cost of optional coverage
- Use OPM's FEGLI calculator



Basic Life Insurance in Retirement

- Cost of Basic coverage before retirement
- Coverage = Salary, rounded up, + \$2,000
- Cost is \$0.16 per \$1,000 bi-weekly

EXAMPLE

Salary = \$47,300

Coverage = \$50,000 (Basic Insurance Amount)

Cost is $50 \times .16 = \$8.00$ bi-weekly



Option A: Standard

- Basic coverage plus \$10,000



Age Group	Biweekly
Under 35	\$0.20
35–39	\$0.20
40–44	\$0.30
45–49	\$0.60
50–54	\$1.00
55–59	\$1.80
60+	\$6.00

Option B: Additional

- Basic coverage plus 1 to 5 times your annual base pay



Age Group	Biweekly Withholding (\$) per \$1,000 of Insurance
Under age 35	0.02
Age 35 through 39	0.03
Age 40 through 44	0.04
Age 45 through 49	0.07
Age 50 through 54	0.11
Age 55 through 59	0.20
Age 60 through 64	0.44
Age 65 through 69	0.54
Age 70 through 74	0.96
Age 75 through 79	1.80
Age 80 and Over	2.64

Option C: Family

- Basic coverage plus:
 - \$5,000 for spouse
 - \$2,500 per dependent child
- Additional coverage in multiples of up to 5 times the base amount



Employee's Age Group	Biweekly, per multiple
Under 35	\$0.20
35-39	\$0.24
40-44	\$0.37
45-49	\$0.53
50-54	\$0.83
55-59	\$1.33
60-64	\$2.43
65-69	\$2.83
70-74	\$3.83
75-79	\$5.76
80 and over	\$7.80

FEGLI Pre-Retirement

Changes to FEGLI while employed:

- Qualifying Life Event (QLE)
- Called to serve on Active Duty
- Outside of open enrollment
 - SF 2822
 - Basic + A and/or B



Last Open Enrollment was September 2016 (effective October 1, 2017)

FEGLI and Retirement

You may continue your coverage if you:

- Retire on an immediate annuity or MRA + 10
- Have been covered for the 5 years of service immediately preceding retirement
- Have not converted to an individual policy
- Have not waived Basic life insurance



Basic FEGLI and Retirement

- Regular coverage until age 65
- After age 65:
 - 75% reduction
 - 50% reduction
 - No reduction



Optional Coverage and Retirement

- Living Benefit
- Assignment
- Optional Coverage
 - Option A coverage reduces to \$2,500
 - Options B and/or C coverage
 - Full reduction
 - No reduction

Optional Coverage and Retirement

- Example: Options A, B, and C Monthly Premiums

\$10,000 (Retiree) Option A		\$240,000 (Retiree) Option B		\$25,000 (Spouse) Option C, 5 Multiples	
Age	Cost	Cost per \$1,000	Cost for \$240,000	Cost per Multiple	Cost for 5 Multiples
50-54	\$2.17	\$0.217	\$52.08	\$1.80	\$9.00
55-59	\$3.90	\$0.390	\$93.60	\$2.88	\$14.40
60-64	\$13.00	\$0.867	\$208.08	\$5.27	\$26.35
65-69	\$0	\$1.040	\$249.60	\$6.13	\$30.65
70-74	\$0	\$1.863	\$447.12	\$8.30	\$41.50
75-79	\$0	\$3.900	\$936.00	\$12.48	\$62.40
80+	\$0	\$6.240	\$1,497.60	\$16.90	\$84.50

Discuss with Financial Planner

- How much do you still need?
- Have you paid off your mortgage?
- Have you eliminated credit card debt?
- Have your children successfully launched?
- Consider reducing your coverage for more income?
- Or reprogram the premium outlay for a different benefit – i.e., long term care insurance?



Continuation of Life Insurance

- Choose the amount of FEGLI to take with you on FEGLI Form SF 2818

FEGLI
FEDERAL EMPLOYEES GROUP LIFE INSURANCE

Continuation of Life Insurance Coverage
As an Annuitant or Compensation
Federal Employees Group Life Insurance (FEGLI) Program

Read instructions on pages 1 - 3 before completing this form. **Important!**

Identifying Information

1. Employee's name (last, first, middle)	2. Date of birth (mm/dd/yyyy)	3. Social Security number
4. Employing department/agency	5. Work location (city, state, ZIP code)	6. Compensation claim number (if applicable)

Basic Life Insurance

7. Do you want to have Basic Life Insurance in retirement/compensation if you are eligible?

Yes (If yes, complete item 8.) No I received a full Living Benefit. (skip to item 9)

8. What level of Basic do you want in retirement/compensation? Check only one box. If you received a partial Living Benefit, you must check No Reduction.

75% Reduction 50% Reduction No Reduction

Option A — Standard Optional Insurance

9. Do you want to have Option A in retirement/compensation if you are eligible? To continue Option A, you must also continue Basic. (Check "yes" only if you currently have as an employee)

Yes No I don't have Option A.

Option B — Additional Optional Insurance

10. Do you want to have Option B in retirement/compensation if you are eligible? To continue Option B, you must also continue Basic. (Check "yes" only if you currently have as an employee)

Yes (If yes, complete item 11.) No I don't have Option B.

11. How many multiples of Option B do you want to have in retirement/compensation? You can elect up to the number of multiples you are eligible to continue in retirement. Put a number on each line to indicate how many multiples you want for NO REDUCTION and FULL REDUCTION. If the number is "zero," "0" should be written on that line. The total of both No and Full Reduction multiples cannot exceed 5. See the instructions.

(number of NO REDUCTION multiples) _____ (number of FULL REDUCTION multiples) _____

Option C — Family Optional Insurance

12. Do you want to have Option C in retirement/compensation if you are eligible? To continue Option C, you must also continue Basic. (Check "yes" only if you currently have as an employee)

Yes (If yes, complete item 13.) No I don't have Option C.

13. How many multiples of Option C do you want to have in retirement/compensation? You can elect up to the number of multiples you are eligible to continue in retirement. Put a number on each line to indicate how many multiples you want for NO REDUCTION and FULL REDUCTION. If the number is "zero," "0" should be written on that line. The total of both No and Full Reduction multiples cannot exceed 5. See the instructions.

(number of NO REDUCTION multiples) _____ (number of FULL REDUCTION multiples) _____

Signature

14. Signature (Do not print.) Only the insured may sign. Signatures by guardians, conservators, or through a power of attorney are not acceptable. Date (mm/dd/yyyy)



Long-Term Care Insurance (FLTCIP)

Nonskilled custodial care:

- Helps with activities of daily living
 - Bathing
 - Dressing
 - Eating
 - Transferring
 - Continence
 - Toileting
- Provides supervision of individuals with cognitive impairment



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Who Provides and Pays for Long-Term Care?

- Public programs
 - Medicare
 - Medicaid
 - Community services
 - U.S. Department of Veterans Affairs
- Private options



Without Long-Term Care insurance, paid for out-of-pocket



Page 3-22

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Federal Long Term Care Insurance

- FLTCIP program suspended effective **December 19, 2022** (potentially for 24 months)
- Current Enrollees coverage status will not change
- For those in a claim status, there is no change to coverage or the claims reimbursement process

- For more information visit www.LTCFEDS.com
 - Call 1-800-582-3337 between 8 AM – 6 PM ET



Current Cost for Nursing/In-home Care

- Nursing homes: \$297 per day average for shared room; up to \$1,000 per day for single room
(*Medicaidplanningassistance.org*)

- In-home care: Average \$4,957 per month up to \$6,900 per month; from \$16 to \$40 per hours @ 40 hours per week
(*Genworth Financial – Cost of Care Survey*)

- Live-in home care: Average between \$16,000 to \$18,000 per month
(*Genworth Financial – Cost of Care Survey*)



Drivers to LTC Enrollment

- Based on your family history, how likely are you to need LTC?
- Can you rely on/do you want to rely on family caregivers?
- Do you have \$200 to \$300K to set aside (average cost of LTC -- \$200/\$250 per day for 3 years-- are you average?)
- Do you want control over your care?
- Can you reduce life insurance coverage and instead invest premiums in LTC?



Slide Not in Book

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Long-Term Care Statistics

- Over 80% of elderly people receiving assistance live in private homes in the community
- 65.7 million informal and family caregivers in USA
- Annually 8,357,100 people receive support from the 5 main long-term care service;
 - Home health agencies (4,742,500),
 - Nursing homes (1,383,700),
 - Hospices (1,244,500),
 - Residential care communities (713,300) and
 - Adult day service centers (273,200).



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Source: <https://www.caregiver.org/resource/selected-long-term-care-statistics/>

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Consider Private Insurance Companies

- Health discounts
- Spousal and partnership discounts
- Hybrid options
- American Association for Long Term Care Insurance www.aaltci.org



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Steps to Determine Self-Funding Long-Term Care

- Likelihood of needing care?
 - <https://www.ltcfeds.com/long-term-care>
- Cost of care?
 - <https://www.ltcfeds.com/planning-tools/tools>
- What type of care best fits your needs?
 - <https://www.ltcfeds.com/long-term-care/options>
- Aging in Place options.
 - <https://www.nia.nih.gov/health/aging-place-growing-older-home>
- Retirement income support long-term care?
- Separate long-term care assets from spendable assets?

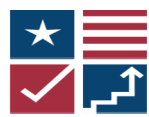


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Summary

- FEHB
- Medicare
- FEDVIP
- FSAs
- FEGLI
- LTC



Q & A


QUESTIONS AND ANSWERS



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Financial Planning for Federal Employees Part 1: Getting Organized

Presented by: Brian J. Kurrus, CFP®


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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Part 1 of 3: Getting Organized

- Setting Financial Goals
- Balance Sheet: Assets and Liabilities
- Cash Flow: Tracking Income and Expenses
- Understanding Your Credit Score
- Managing Debt
- Basic Investment Planning and Goals
- Investment Risk and Return
- Funding College Education



2

Establishing Financial Goals

Where do you want to be?



Potential Goals:

Building
Emergency
Fund

Payoff
Liabilities

Funding
College
Education

Retirement
Date

Retirement
Savings Goal



3

Setting Financial Goals



Prioritize



Identify target dates to
start and reach goals



Review current actions



Review requirements



4

Financial Planning for Retirement

- Where are you now?
- Net Worth calculation
- Assets – Liabilities = Net Worth
- Calculate monthly, quarterly, or annually
- Find a method that works for you: website, spreadsheet, notebook



5

Net Worth Assets

Assets	
Non-Retirement Investments:	Emergency Fund
Checking Accounts	3-6 Months Expenses
Savings Accounts	
Money Market Accounts	
CDs	
Brokerage Accounts	
Total	
Retirement Investments:	Tax Favored Investments
TSP, 401k, 403b	
Traditional IRA	
Roth IRA	
Total	
Personal Property:	Liquidity Concerns
Primary Residence	
Investment Property	
Automobile	
Total	
TOTAL	



6

Net Worth Liabilities

Liabilities:	Amount/ Payment	Interest Rate/ Payoff Date
Current Debts:		
Credit Cards		
Medical		
Taxes		
Total		
Loans:		
Auto		
Personal		
Student		
Bank		
Total		
Mortgages:		
Primary Residence		
Investment Property		
HELOC		
Total		
TOTAL		



7

Monthly Cash Flow

- Cash flow planning = Budgeting
- Review current spending to identify where your money is going.
- Use bank and credit card statements for a basic overview.
- How much does your checking account vary each month, quarter, year?
- Were large deposits or withdrawals recurring or one-time?



8

Cash Flow Worksheet

Income	Current	Retirement
Income		
Rental Income		
Interest/Dividends		
Other		
Total Inflows		
Monthly Expenses		
Housing		
Food		
Clothing		
Utilities		
Insurance		
Medical		
Transportation		
Entertainment		
Debt Repayment		
Federal Taxes		
State Taxes		
Other taxes		
Other		
Monthly Savings		
Retirement		
Education		
Other		
Total Outflows		
Net inflow/Outflow		

9

Managing Debt

Good Debt:
Creates Value

↓

Mortgages

↓

Student Loan

↓

Business Loan

Bad Debt:
Purchase of Disposable
Items or Goods

↓

Credit Card Debt

10

Key Elements to Consider

What is the interest rate?

Is it tax deductible?

- Mortgage interest on new loans up to \$750k if itemizing
- HELOC: If used to buy, build or substantially improve upon the home securing the loan

Should you pay off a debt or invest?

- Compare the interest rate to the expected rate of return
- Adjust for tax implications
- Risk/Reward tradeoff



11

Debt Payoff Strategies

Highest APR first

- Preferred option: Will save most interest

Lowest balance first

- To help organize and manage the number of liabilities when interest rates are similar

Consolidate

- Consider a HELOC or a lower interest rate credit card consolidate/lower total interest
- Consider credit counseling options



12

Core Concepts



Know how much debt you have



Know your interest rate on each debt



Know how and when your interest rate can change:
HELOC, ARM, credit card



Know how you are going to pay off each debt:
What if rates increase?



13

Your Credit: Good Credit is Key for Lower Interest Rates

Credit Scores

- Get a free copy of your credit report every 12 months from each credit reporting company: Experian, TransUnion and Equifax
- Visit www.annualcreditreport.com or call 877-322-8228
- Review your credit report for accuracy

- Excellent: 750+
- Good: 700-750
- Fair: 650-699
- Poor: 600-649
- Bad: Below 600



What Counts Towards Your Score?

- Payment History – 35%
- Paying on time
- A 30-day late payment might have a lesser effect than a 60 or 90-day late payment
- Have any of your accounts gone to collections?
- Do you have any charge offs, debt settlements, bankruptcies, or foreclosures?



What Counts Towards Your Score?



Amount owed - 30%



How much of your total available credit have you used?



Keep your credit utilization rate below 30% if possible



Consider making credit card payments more than once a month



How much do you owe in total?



What Counts Towards Your Score?

- Length of Credit History – 15%
- A long history is helpful if not marred by late payments or other negative items
- Age of oldest, newest, average
- Opening new accounts could lower your average age of accounts, hurting scores
- Improving your credit utilization rate may more than offset



What Counts Towards Your Score?

- New Credit – 10%
- How many accounts do you have and how many have you applied for recently?
- Soft inquiries: checking your score and some prequalifications don't hurt your score
- Hard inquiries: Creditor checks before making a lending decision
- Multiple hard inquiries can hurt your score; however, multiple inquiries may be treated as one within a short timeframe



What Counts Towards Your Score?



Types of credit in use - 10%



Do you have a mix of different types such as mortgage, credit card and other loans?



New: Experian Boost:

www.experian.com

Connect the bank account(s) you use to pay your bills
Verify the positive payment history you want added to your credit file



New: UltraFICO:

www.fico.com/ultrafico

Linking checking, savings or money market accounts for indicators of sound financial behavior



Investment Options



Cash and Cash Equivalents: Checking, Savings, Money Markets



Certificate of Deposit (CD): Fixed Rate, Maturity Date



Stocks/Equities: Ownership in a company



Bonds/Fixed-income: Debt investment loaning money to an entity



Mutual Funds: Basket of Stocks and/or Bonds, Commodities



Exchange-Traded Funds: Basket of Stocks and/or Bonds, Commodities



Investment Allocation: Time Horizon

- How long until you begin withdrawals?
- What amount or % will you take out when you begin withdrawals?
- How long do you plan to take withdrawals?



21

Investment Allocation: Risk Tolerance

- How would your savings and goals be impacted under different potential outcomes?
- How comfortable are you with these possible outcomes?



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Investment Allocation

- 100% Stocks: Aggressive
- 80/20%: Moderately Aggressive
- 60/40%: Moderate
- 40/60%: Moderately Conservative
- 20/80%: Conservative



23

Investment Allocation: Diversification

- Diversify in pursuit of the highest returns for the lowest amount of risk
- Select an allocation based on time horizon and risk tolerance



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Investment Allocation: Dollar-Cost Averaging

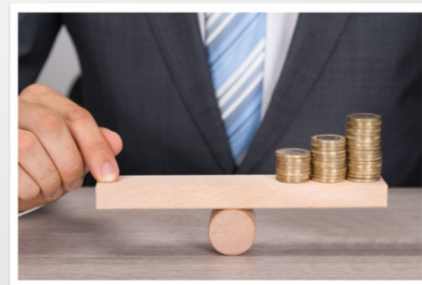
- Investing a fixed dollar amount on a regular basis, regardless of the share price
- Purchase more shares when prices decline, increase profits when prices increase



25

Investment Allocation: Rebalancing

- Regular rebalancing helps reduce downside investment risk and
- Ensures your investments are allocated in line with your financial plan
- Preferable to rebalance based on a % change in asset value rather than specific dates



26

Investment Allocation: Stock Market Outlook

Stock Market Outlook

- Where is the market going from here?
- Should you change your investment allocation?
- If you are going to make changes, when and how should you do it?



27

Investment Allocation

- The stock market quickly prices in all publicly known information
- Consider your time horizon and risk tolerance for each investment account
- Avoid emotional decisions and recency bias
- If making changes, consider a dollar-cost averaging approach



28

Funding College Education

- 529 College Savings Plans
- Invest in mutual funds
- Potential state tax deduction for state sponsored plans
- Contributions considered gifts to the beneficiary
- Can change beneficiaries to another family member
- Tax-deferred growth



29

Funding College Education

- Tax-free distributions for higher education expenses including tuition, room and board and other expenses.
- Up to \$10k per year for K through 12 tuition.
- If not used for qualified education expenses, earnings taxed as income and penalized at 10%.
- Secure Act 2.0: Up to \$35k can be rolled over to a Roth IRA for the beneficiary, regardless of income, up to annual limits after 15 years.



30

The Cost of College

- Average Estimated Undergraduate Budgets for 2024-2025 according to The College Board:
 - \$29,910: Public Four-Year (In-State On-Campus)
 - \$49,080: Public Four-Year (Out-of-State On-Campus)
 - \$62,990: Private Nonprofit Four-Year (On-Campus)
- www.research.collegeboard.org
- www.investor.gov



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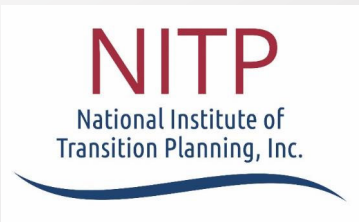
Q & A QUESTIONS AND ANSWERS

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Financial Planning for Federal Employees Part 2: TSP and IRAs

Presented by: Brian J. Kurrus, CFP®

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NITP
National Institute of
Transition Planning, Inc.

BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES


Part 2 of 3: TSP and IRAs

TSP

- Traditional vs. Roth TSP
- TSP Contributions
- TSP Investment Options
- In-Service Withdrawal Options
- TSP at Retirement

IRAs

- Contribution and Income Limits
- Roth Conversions
- Inherited IRA Options



2

Thrift Savings Plan

Traditional TSP:

- Contributions are made on a pre-tax basis
- Grow tax-deferred
- Taxed as ordinary income when withdrawn

Roth TSP:

- Contributions are made on a post-tax basis
- Grow tax-deferred
- Tax-free when withdrawn in most situations



3

Thrift Savings Plan

- Tax bracket now vs. retirement
 - Higher bracket now favors Traditional
 - Lower bracket now favors Roth
- Future tax bracket changes?
- Diversify for the unknown?
- Matching contributions go into Traditional TSP

- No Roth RMDs from Employer Retirement Accounts as of 2024
- TSP Roth conversions available beginning in 2026



4

Thrift Savings Plan: Contributions

- CSRS and FERS employees may contribute
- FERS employees receive automatic 1% contribution
- Dollar for Dollar match next 3%
- 50 cents per dollar match next 2%
- Contribute 5% for full 5% match



5

Thrift Savings Plan

- Investing at 7.2% compounded will double your money in 10 years
- Investing 5% into your TSP doubles your money overnight
- Combined total of your Traditional and Roth TSP contributions in 2025 cannot exceed \$23,500
- Contribute at least 5% each paycheck to receive full matching contribution



6

Thrift Savings Plan: Catch-up Contributions

- Applies to employees reaching age 50+ in 2025
- IRS sets maximum catch-up amount
 - 2025: \$7,500 catch-up, \$31,000 total
- Starting in 2025, participants turning ages 60, 61, 62 and 63 will be able to make larger catch-up contributions of the higher of \$10,000 (indexed to inflation) or 150% of the regular catch-up limit
- For 2025, 150% applies and the catch-up amount is \$11,250 for those born in 1962-1965
- Starting in 2026, all catch-up contributions for those making more than \$145k will be Roth contributions



7

TSP Investment Options

G Fund: U.S. Treasury Securities issued to TSP

F Fund: U.S. Aggregate Bond Index: Over 10k treasury and corporate bonds

C Fund: S&P 500 Index: 80% of US Stock Market

S Fund: Dow Jones U.S. Completion Total Stock Market Index: 20% of US Stock Market

I Fund: Stocks in more than 40 developed and developing countries (ex U.S.)



8

TSP Investment Options



Lifecycle Funds provide a convenient way to diversify TSP funds



Longer time horizons take more risk



Automatically rebalance as time horizon approaches



9

My Recommended TSP Allocations

Compare to Lifecycle Allocations

100/0- C-60, S-15, I-25

80/20- C-48, S-12, I-20, G-10, F-10

60/40- C-36, S-9, I-15, G-20, F-20

40/60- C-24, S-6, I-10, G-30, F-30

20/80- C-12, S-3, I-5, G-40, F-40



10

TSP Investment Allocation: Mutual Fund Window

Mutual Fund Window

- Your initial transfer must be \$10,000 or more, but may not be more than 25% of your total TSP balance (\$40k TSP balance needed)
- \$55 annual administrative fee
- \$95 annual maintenance fee
- \$28.75 per-trade fee
- Other fees and expenses specific to the mutual funds you choose



11

Thrift Savings Plan: In-Service Withdrawal Options



TSP LOAN PROGRAM:



BORROW UP TO 50K OF TSP
CONTRIBUTIONS AND
EARNINGS



UP TO 15-YEAR
REPAYMENT FOR
PRIMARY RESIDENCE
(\$100 FEE)



UP TO 5-YEAR
REPAYMENT FOR
GENERAL PURPOSE
(\$50 FEE)



12

TSP: In-Service Withdrawal Options

- Can have up to two outstanding TSP loans at any time.
- Higher interest rate increases payment; however, interest is paid from your paycheck to your TSP.
- Money invested in TSP Mutual Fund Window is not available for borrowing.
- If you separate from service, you can keep the loan active by setting up monthly payments by check or direct debit.

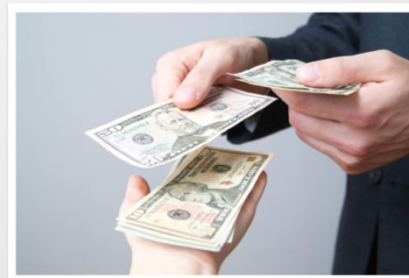


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TSP: In-Service Withdrawal Options

TSP Loan Program:

- You will not earn interest on money that is out on loan
- Impact on paycheck
- Interest paid from your paycheck into your TSP, not deductible



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TSP: In-Service Withdrawal Options

- Age 59 ½ or older
- At any age if you can demonstrate a financial hardship
- Must have either:
 - Negative monthly cash flow
 - Medical expenses
 - Legal expenses
 - Personal casualty losses
- IRS 10% penalty will most likely apply as well as taxes on distribution, new provisions under Secure Act 2.0



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Understanding Early Withdrawal Penalty

- Traditional and Roth TSP Accounts
 - To avoid an early withdrawal penalty on distributions, one must be 59 ½
 - Exempt if you separate from Federal service in the year in which you reach 55 or later
- For Roth TSP you must also wait five years from January 1st of the first year you made Roth contributions to your TSP account



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Understanding Early Withdrawal Penalty, cont'd.

- Traditional TSP early withdrawals
 - Entire distribution is taxed as ordinary income
 - 10% early withdrawal penalty for entire distribution

- Roth TSP early withdrawals
 - Contributions returned tax-free
 - Earnings portion taxed
 - 10% early withdrawal penalty for earnings portion only



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Thrift Savings Plan at Retirement or Separation

You may:

- Do nothing
- Elect a withdrawal
- Continue interfund transfers

You may not:

- Contribute (other than transfers or other retirement savings)
- Borrow



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Thrift Savings Plan at Retirement or Separation

Required Minimum Distributions (RMDs)

- Must take by April 1 of the year following:
 - Turning age 73 (75 after 2032) and
 - Separated from Federal service (TSP Only)
 - By December 31st each year after
- RMD age was 70.5 prior to Secure Act of 2019
- RMD age was 72 prior to Secure Act 2.0 of 2022



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Required Minimum Distributions (RMDs)

- Uniform Lifetime Table for Calculating RMDs
- New Table in 2022

73- 100/26.5= 3.77%

75- 100/24.6= 4.07%

80- 100/20.2= 4.95%

85- 100/16.0= 6.25%

90- 100/12.2= 8.20%



20

Thrift Savings Plan at Retirement or Separation

- Single Withdrawals
 - \$1,000 or more from your TSP account
 - Must wait at least 30 days between each withdrawal
- Installment Payments
 - A specific dollar amount
 - Your life expectancy
- Purchase Life Annuity



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TSP: Installment Payments



Monthly payment based on a specific dollar amount



Select payment amount of \$25 or more



Receive the selected amount until account balance has been paid out



May continue to make interfund transfers



22

Thrift Savings Plan: Installment Payments Based on Life Expectancy



The amount will be based on life expectancy tables and your account balance and age



The amount will change every January, based on the current account balances



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Thrift Savings Plan: Life Annuity

- Provides a monthly income for life
- Purchased with TSP funds
- Monthly payment is determined by:
 - Choice of annuity
 - Your age
 - Your TSP account balance
 - The market interest rate



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Thrift Savings Plan: Life Annuity

- Type: Single Life, Joint Life with Spouse
- Payment: Level or Increasing
- Features: Cash refund, 10-year certain
- 100% survivor annuity
- 50% survivor annuity
- 100% survivor annuity with cash refund
- 50% survivor annuity with cash refund



25

TSP Life Annuity: Advantages



Steady income for life



No investment risk



Do not have to manage investments



Offers a joint life annuity



26

TSP Life Annuity: Disadvantages



Cannot be canceled or changed



Takes many years to recover the original investment



No access to your original investment



Be aware of the interest rate when you purchase!



27

Thrift Savings Plan: Transfer Funds to an IRA

Advantages:

- Limitless investment options

Disadvantages:

- No longer have access to the G fund
- No withdrawal penalties from TSP if separating in the year they turn 55 or older
- Can avoid by maintaining TSP balance
- Higher management expenses?
- Additional knowledge or expertise needed?



28

Thrift Savings Plan: Transfer 401k into TSP

Advantages:

- Consolidate balances
- TSP loan options

Disadvantages:

- More investment options in an IRA
- Once funds moved into TSP they cannot be moved to an IRA until separating from service or reaching 59.5



29

TSP: Transfer Funds to an IRA

- TSP Fees: Fund expenses range from .048% to .079%
- (48 cents to 79 cents per thousand)
- Mutual Funds and ETFs : Expense ratios can range from .00% to over 2.00%



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TSP: Transfer Funds to an IRA



Review expense ratios for all investments



Other transaction costs?



Learn more about managing investments and hiring a professional financial advisor at www.investor.gov



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Traditional and Roth IRAs

- 2025 contribution limit: \$7,000 (\$8,000) if you are age 50 or older **OR** up to 100% of earned income if less
- Traditional IRAs: Income limits for tax-deductible contributions for qualified plan participants
- MAGI phaseout limits: \$79k – \$89k for single filer
- Phaseout limits: \$126k – \$146k for married couples filing jointly



32

Traditional and Roth IRAs, cont'd.

- Roth IRAs: Income limits for contribution eligibility based on your MAGI (Modified Adjusted Gross Income)
- MAGI phaseout limit \$150k - \$165k for single filers
- Phaseout limits \$236k - \$246k for married couples filing jointly
- Tax-free distributions after 5 years from initial contribution AND you are age 59 ½ or older
- Must only satisfy 5-year rule for first IRA



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Backdoor Roth IRA

- Can be utilized when one makes too much to contribute to a Roth IRA
- Non-deductible IRA contribution is made and then a Roth conversion is completed
- Taxes are paid on pre-tax contributions and earnings for Roth conversion
- If the only IRA assets are the non-deductible contributions, the strategy works well
- If one holds IRA pre-tax contributions or earnings in any IRA, IRS looks at basis for all IRA assets



34

Traditional and Roth IRAs



Converting a Traditional IRA to a Roth IRA



Taxed as ordinary income in year of conversion



Consider in years between retirement and RMDs



35

Traditional and Roth IRAs, cont'd.



Example: \$500k in Traditional IRA



A60 to A75: Convert \$20k each year and pay taxes



At age 75, \$300k (60% of original balance) has been converted to Roth IRA which can continue to grow tax-free with no RMD requirements



Traditional IRA RMD has been greatly reduced



36

Traditional and Roth IRAs, cont'd.



Inherited IRA Options: IRA BDAs



Take all distributions within 10 years unless beneficiary is:



A spouse (can also treat as their own IRA)



Disabled or chronically ill



Minor child



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Q & A

QUESTIONS AND ANSWERS

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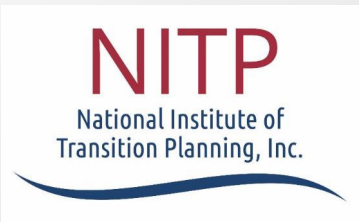
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Financial Planning for Federal Employees Part 3: Have a Plan

Presented by: Brian J. Kurrus, CFP®



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BENEFITS, FINANCIAL AND RETIREMENT TRAINING FOR FEDERAL EMPLOYEES AT ALL CAREER STAGES

Part 3 of 3: Have a Plan

- Housing Considerations
- Insurance Planning
- Estate Planning Basics
- Retirement Income Needs



2

Housing Considerations

Renting vs. Owning

- Timeframe is key
- Monthly cash flow difference
- Ownership expenses: down payment, closing costs, repairs
- Appreciation potential: short-term, long-term, market fluctuations
- Tax savings

Choosing your Mortgage

- Interest only, Adjustable Rate Mortgages (ARMs), 15-year fixed, 30-year fixed



3

Paying Down a Mortgage: Advantages



Save interest, improve retirement cash flow



Extra payments reduce your balance, save interest and pay off the loan sooner



Paying off your mortgage balance may improve your retirement cash flow



Consider the impact on savings



4

Paying Down a Mortgage: Disadvantages



Liquidity, opportunity cost



Consider the liquidity impact of paying off your loan



Paying off a mortgage balance in full shifts assets from savings to home equity



Reverse mortgages are generally purchased by those who have home equity but lack savings



5

Paying Down a Mortgage: Opportunity Cost

- What could you do with the money you would use to pay off your mortgage?
- Compare the loan interest rate to what an investment could earn
- Consider the risk/reward tradeoff for any investment



6

Paying Down a Mortgage: Should You Refinance?

- Consider with improved loan rate of 0.50% or more
- Compare interest paid in current loan compared to new loan over time
- Calculate break-even time for savings

Example: New loan interest savings

Year 1 = \$1k

Year 2 = \$2k

Year 4 = \$4k

Refinance Costs = \$4k

Year 4 equals break-even



7

Insurance: Long Term Care

Long Term Care Insurance

- What is Long Term Care (LTC)?
- What are your chances of needing LTC?
- What are the costs of LTC?



8

Insurance: Long Term Care, cont'd.

- What will Medicare and Medicaid cover?
- Insure or self-insure?
- Types of plans: LTC plans and life insurance plans with LTC riders
- Federal LTC applications suspended in December 2022 and extended in 2024
- Other traditional and hybrid LTC plans exist



9

Insurance: Long Term Care, cont'd.

- Private insurance companies also offer LTC plans with full underwriting
- Life insurance plans with LTC or chronic illness riders will allow one to use the death benefit for LTC expenses if needed
- Monthly cap: Generally, 1 to 4% of death benefit or up to IRS per diem limit
- No inflation protection



10

Insurance: Long Term Care, cont'd.

- Hybrid or Linked Benefit Plan can provide a death benefit and an LTC benefit that is generally 2-5x higher, potentially with inflation benefits
- Funded with lump sum single payment or level payment over 5-10 years
- Premiums fixed



11

Insurance: Life

Life Insurance

- How much life insurance do you need now? Replace income, cover liabilities or both
- How much life insurance will you need moving forward?
- What coverage do you have already? Type, amount, premium, features



12

Insurance: Life

- Types of Term insurance:
 - Yearly Renewable Term (YRT)
 - Level Term
- Types of Permanent Insurance:
 - Universal Life
 - Variable Universal Life
 - Whole Life
- FEGLI: Option B – increases in cost at 5-year age brackets
 - Increases in cost significantly at older ages
 - If insurable, you may want to review other coverage options



13

Estate Planning Basics: Powers of Attorney

Powers of Attorney

- Allows you to appoint another person to act on your behalf should you ever require someone to make short or long-term decisions for you
- Types: Durable, Non-Durable, General, Special or Limited, Medical, Springing



14

Estate Planning Basics: Advance Healthcare Directives

Advance Healthcare Directives

- A legal document in which a person specifies what actions should be taken for their health if they are no longer able to make decisions for themselves because of illness or incapacity
- An Advance Healthcare Directive may also be known as a Living Will, Personal Directive, Advance Directive, Medical Directive or Advance Decision



15

Estate Planning Basics: Beneficiary Designations

Beneficiary Designations

- Review beneficiaries on all life insurance, annuity, TSP, IRA and other retirement account
- Consider adding TOD or POD (Transfer on Death / Payable on Death) registration to nonretirement accounts to list beneficiaries and avoid probate



16

Estate Planning Basics: Last Will and Testament

Last Will and Testament

- Determining property distribution
- Names guardian to care for minor children
- Explaining final arrangements
- Guiding debt fulfillment



17

Estate Planning Basics: Trusts

Trusts

- Transfer ownership of your property into a trust
- Grantor- Creator of the trust
- Trustee- Person or entity that manages the trust property
- Avoids probate, accomplishes items listed above
- Revocable Living Trust- Can be changed or updated
- Irrevocable Trust- Cannot be changed without permission of the beneficiary



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Potential Changes in Retirement

Potential Increases	Potential Decreases
Healthcare: Medical & Dental Expenses	Mortgage & Liabilities reduced or paid off
Travel & Leisure	Retirement Plan Contributions
Inflation	Work Related Expenses
	Children's Expenses
	Taxes
Are you planning to move to a different house or location?	What changes can you make to spend less and save more?



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Retirement Income Needs

STEP 1: How much income will you need in retirement?

- General guideline is 70-80% of pre-retirement income
- Can also be based on take home pay
- Best case is to base on actual retirement budget
- Consider doing all of the above and comparing



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Retirement Income Needs

STEP 2: How long will you be in retirement?

- A male reaching age 65 today can expect to live, on average, until age 84.3
- A female turning age 65 today can expect to live, on average, until age 86.6
- Number of years (assume you live to 90+)

Source: www.ssa.gov/planners/lifeexpectancy.html



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Retirement Income Needs

STEP 3: Calculate estimated income in retirement.

- Income from Social Security, pensions, annuities
- www.ssa.gov/myaccount.statement.html
- Estimated earning on assets (Rate of Return)
- Couples: Review survivor benefits for pensions and Social Security



22

Retirement Income Needs

STEP 4: Calculate what you need to withdraw from assets to cover your income needs.

- What is the gap between your income need and income sources?

Example:

- Current Salary = \$100k
- Income Need = \$80k (80%)
- Income Sources = \$50k (Social Security + FERS)
- Gap = \$30k / year



23

Cash Flow Worksheet

Income	Current	Retirement
Income		
Rental Income		
Interest/Dividends		
Other		
Total Inflows	100K	50k
Monthly Expenses		
Housing		
Food		
Clothing		
Utilities		
Insurance		
Medical		
Transportation		
Entertainment		
Debt Repayment		
Federal Taxes		
State Taxes		
Other taxes		
Other		
Monthly Savings		
Retirement		
Education		
Other		
		(70-80%)?
Total Outflows		80K
Net Inflow/Outflow		(30k)



24

Retirement Income Needs

- What percentage of your assets will you need to withdraw to cover the gap?

Example:

- \$30k withdrawn from \$750k = 4%
- $\$30k / .04 = \$750k$
- How much will you be relying on your investments to cover your income need?
- Withdrawing 4% with inflation adjustments should last 30 years in most cases.



25

Retirement Income Needs

- Running future projections with a compound interest calculator
www.investor.gov/
- Current Savings Goal: \$750k
- Time: 10 years
- Inflation Rate: 2%
- Future Value: \$914k



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QUESTIONS AND ANSWERS

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