Will You Be Ready for Retirement?

A NARFE Federal Benefits Institute Webinar

Presented by Tammy Flanagan
Getting Your Ducks in a Row

- Consider how much income you will need in retirement.
- Where is it going to come from?
- Understand the value of CSRS and FERS.
- Understand the value of Social Security.
- Understand the value of TSP.
Test Your Knowledge

How much of your current income will you need to replace in retirement?

A. 50%
B. 80%
C. 100%
D. It depends
How much of your current income will you need to replace in retirement?

A. 50%
B. 80%
C. 100%
D. It depends
Where Will the Money Come From?

- CSRS or FERS
- Social Security
- TSP
- Other?
  - Military retirement
  - Private pension
  - IRAs or other retirement savings
  - Employment
Transition From Wages to Retirement

<table>
<thead>
<tr>
<th>Working: Sources of Income</th>
<th>Retired: Sources of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>CSRS or FERS</td>
</tr>
<tr>
<td>Promotions (step increases)</td>
<td>Social Security</td>
</tr>
<tr>
<td>Overtime</td>
<td>TSP (Investment Income)</td>
</tr>
<tr>
<td>Bonuses</td>
<td>Wages?</td>
</tr>
<tr>
<td><strong>Minus</strong></td>
<td><strong>Minus</strong></td>
</tr>
<tr>
<td>Expenses</td>
<td>Expenses of “retirement”</td>
</tr>
<tr>
<td>Taxes and insurance plus ...</td>
<td>Taxes and insurance</td>
</tr>
<tr>
<td>Retirement, FICA, Medicare, TSP</td>
<td></td>
</tr>
</tbody>
</table>
# The Value of CSRS or FERS

<table>
<thead>
<tr>
<th>CSRS</th>
<th>FERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single defined benefit can replace up to 80% of your high-three salary</td>
<td>One part of a three-tiered system</td>
</tr>
<tr>
<td>Immediate benefit</td>
<td>Immediate benefit</td>
</tr>
<tr>
<td>Lifetime income stream</td>
<td>Lifetime income stream</td>
</tr>
<tr>
<td>Cost-of-living adjustments (COLAs)</td>
<td>Cost-of-living adjustments (delayed/diet COLA)</td>
</tr>
<tr>
<td>Survivor protection</td>
<td>Survivor protection</td>
</tr>
<tr>
<td>Continuation of insurance</td>
<td>Continuation of insurance</td>
</tr>
</tbody>
</table>

Sponsored by National Active and Retired Federal Employees Association
Let’s Start With the Basics…
The FERS or CSRS Basic Benefit: Eligible?

<table>
<thead>
<tr>
<th>Age</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>30</td>
</tr>
<tr>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>62</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRA (55-57)</td>
<td>30</td>
</tr>
<tr>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>62</td>
<td>5</td>
</tr>
<tr>
<td>MRA</td>
<td>10</td>
</tr>
</tbody>
</table>
### CSRS: How much?

<table>
<thead>
<tr>
<th>Length of Service:</th>
<th>20 years 36.25%</th>
<th>30 years 56.25%</th>
<th>40 years 76.25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Three:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$40,000</td>
<td>$14,500</td>
<td>$22,500</td>
<td>$30,500</td>
</tr>
<tr>
<td>$60,000</td>
<td>$21,750</td>
<td>$33,750</td>
<td>$45,750</td>
</tr>
<tr>
<td>$80,000</td>
<td>$29,000</td>
<td>$45,000</td>
<td>$61,000</td>
</tr>
<tr>
<td>$100,000</td>
<td>$36,250</td>
<td>$56,250</td>
<td>$76,250</td>
</tr>
<tr>
<td>$120,000</td>
<td>$43,500</td>
<td>$67,500</td>
<td>$91,500</td>
</tr>
</tbody>
</table>

**Shortcut formula:**

Length of service minus two x two plus .25 = percentage of high-three

**Ex:** 30 – 2 x 2 + .25 = 56.25% x high-three average salary
FERS: How much?

<table>
<thead>
<tr>
<th>Length of Service:</th>
<th>20 years 20% / 22%</th>
<th>30 years 30% / 33%</th>
<th>40 years 40% / 44%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Three:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$40,000</td>
<td>$8,000</td>
<td>$12,000</td>
<td>$16,000</td>
</tr>
<tr>
<td></td>
<td>$8,800</td>
<td>$13,200</td>
<td>$17,600</td>
</tr>
<tr>
<td>$60,000</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$24,000</td>
</tr>
<tr>
<td></td>
<td>$13,200</td>
<td>$19,800</td>
<td>$26,400</td>
</tr>
<tr>
<td>$80,000</td>
<td>$16,000</td>
<td>$24,000</td>
<td>$32,000</td>
</tr>
<tr>
<td></td>
<td>$17,600</td>
<td>$26,400</td>
<td>$35,200</td>
</tr>
<tr>
<td>$100,000</td>
<td>$20,000</td>
<td>$30,000</td>
<td>$40,000</td>
</tr>
<tr>
<td></td>
<td>$22,000</td>
<td>$33,000</td>
<td>$44,000</td>
</tr>
<tr>
<td>$120,000</td>
<td>$24,000</td>
<td>$36,000</td>
<td>$48,000</td>
</tr>
<tr>
<td></td>
<td>$26,400</td>
<td>$39,600</td>
<td>$52,800</td>
</tr>
</tbody>
</table>

Shortcut formula: Length of service x 1% = % of high-three
Age 62 with 20-plus years of service: Length of service x 1.1% = % of high-three
Which of the following statements is true?

A. If you add your age and service and get “80,” you can retire.
B. Your retirement SCD could be different from your leave SCD.
C. You can add your sick leave to your service to make you eligible to retire.
D. If you have reached the minimum retirement age with 30 years of part-time service, you will not be eligible to retire.
Test Your Knowledge

Which of the following statements is true?

A. If you add your age and service and get “80,” you can retire.

B. Your retirement SCD could be different from your leave SCD.

C. You can add your sick leave to your service to make you eligible to retire.

D. If have reached the minimum retirement age with 30 years of part-time service, you will not be eligible to retire.
Creditable Service

Be sure your service is properly documented

• Beginning and ending dates
• Work schedule
• Retirement Plan
• Remarks

  For Example:
  ✓ Excess LWOP
  ✓ Transfer from CSRS to FERS
Creditable Service

Be sure your service is creditable!

• Covered by CSRS or FERS?
• If not, can you pay a deposit?
• How much do you owe?
• What happens if you don’t pay it?
• Full-time credit?
Will Your Retirement Be Reduced?

- Survivor Elections
  - Spousal elections
  - Insurable Interest
  - Former Spouse

- Age Reduction
  - Early retirement (CSRS)
  - MRA + 10 (FERS)

- Unpaid deposit / redeposit (CSRS only)
Test Your Knowledge

At what age do you stop paying the FICA tax?

A. 62
B. 70
C. Depends on your year of birth
D. When you stop working
Test Your Knowledge

At what age do you stop paying the FICA tax?

A. 62
B. 70
C. Depends on your year of birth
D. When you stop working
What Is Withheld From CSRS or FERS Annuity Payment?

<table>
<thead>
<tr>
<th>Taxes</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>FEHB</td>
</tr>
<tr>
<td>State?</td>
<td>FEGLI</td>
</tr>
<tr>
<td></td>
<td>FLTCIP</td>
</tr>
<tr>
<td></td>
<td>FEDVIP</td>
</tr>
</tbody>
</table>
The Value of Social Security Retirement

- Lifetime income
- Dependents benefits
- Cost-of-living adjustments
- Claiming strategies
- Tilted benefit
  - Average benefit 2015: $1,328 / month
  - 65% of aged beneficiaries received at least half of their income from Social Security in 2012.
Get your free personal online my Social Security account today!

You probably plan to receive Social Security benefits someday. Maybe you already do. Either way, you’ll want a my Social Security account to:

- Keep track of your earnings and verify them every year;
- Get an estimate of your future benefits if you are still working;
- Get a letter with proof of your benefits if you currently receive them; and
- Manage your benefits:
  - Change your address;
  - Start or change your direct deposit;
  - Get a replacement Medicare card; and
  - Get a replacement SSA-1099 or SSA-1042S for tax season.

Setting up an account is quick, secure, and easy. Join the millions and create an account now!

*With instant access to your Social Security Statement at any time, you will no longer receive one periodically in the mail, saving money and the environment. Thank you for Going Green!

If you would like to receive your Social Security Statement by mail, please follow these instructions.

Join The Millions!

Number of my Social Security Accounts as of July 31, 2015

Creating an Account is Easy!

Privacy and Security

How We Verify and Protect Your Identity

Internet Phishing Alert

Can I create a my Social Security account if I have a security freeze or a fraud alert on my Experian credit report?
Windfall Elimination Provision

- Modified benefit formula
- Affects those who receive a pension from work not covered by Social Security (i.e., CSRS)
- Reduces first level of Social Security formula ($413/month max for 2015)
- Exempt with 30 or more years of substantial wages
- Calculator and fact sheet on www.ssa.gov
The Value of Investment Income

• Flexible
• In YOUR control
• Create income when needed
• Tax strategy
Dick saves $200/month for 40 years
Jane saves $200/month for 35 years
Both earn 6% rate of return.
How much more will Dick save than Jane?

A. $13,392
B. $133,392
C. $1,333,392
D. $33,392
Test Your Knowledge

Dick saves $200/month for 40 years
Jane saves $200/month for 35 years
Both earn 6% rate of return.
How much more will Dick save than Jane?

A. $13,392  
B. $133,392  
C. $1,333,392  
D. $33,392
Investment Income: 
Thrift Savings Plan

Partial Withdrawal
- Cash
- Transfer to IRA

Full Withdrawal
- Lump sum
- Monthly payment
  - Dollar amount
  - Life expectancy payout
- Life Annuity
Test Your Knowledge

John and Judy each saved $400,000. At age 65...

• John chose a single life annuity with a cash refund.
• Judy chose a series of monthly payments based on her life expectancy.

How much is paid to their beneficiary at age 90?

A. $400,000 (John) / $60,000 (Judy)
B. $250,000 (John) / $0 (Judy)
C. $0 (John) / $250,000 (Judy)
D. $50,000 (John) / $50,000 (Judy)
John and Judy each saved $400,000. At age 65...

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B. $250,000 (John) / $0 (Judy)
C. $0 (John) / $250,000 (Judy)
D. $50,000 (John) / $50,000 (Judy)
Learn More About TSP Withdrawal Options

Retirement Income Calculator

About TSP Monthly Payments and Life Annuities

If you want monthly income from your TSP account when you separate from Federal service, you have two options: **TSP monthly payments** and a **life annuity**.

This calculator will help you decide whether receiving monthly income is right for you by comparing the available options and features that might meet your needs. (If you are currently receiving TSP monthly payments and you want to do some calculations to choose a different payment amount, use the **Monthly Payment Calculator**.)

See examples of possible monthly retirement income choices.

DISCLAIMER: This calculator is provided for informational purposes only. It is not intended to provide retirement income advice or be used as an investment advisory tool or as a guarantee of monthly payment amounts or a final account balance.
The End.
The Aetna Direct℠ plan

A whole new level of value for federal retirees
It’s a health plan that works with Medicare Parts A and B and is tailor-made for federal retirees.

Find out more at www.aetnafeds.com/aetnadirect