The 10 Worst Mistakes Federal Employees Can Make

Retirement Planning Recommendations from NARFE – the only association dedicated solely to preserving and improving the health care and retirement benefits of federal workers and retirees.

National Active and Retired Federal Employees Association
The decisions you make today will determine the success of your retirement. Here are the 10 Worst Mistakes federal employees can make.

1. Not attending a pre-retirement seminar
Many agencies offer retirement planning seminars for new, mid-career, and employees planning to retire within 5 years. Take advantage of these classes as you will get information that you can’t get elsewhere and will help you prepare for a successful retirement from federal service. To keep up with any changes in laws or regulations that may affect your retirement benefits as well as learn about some of the complex options that are available to you, you should take the classes every five years. Having the right information well in advance of your retirement gives you time to take action and avoid financial shock from unforeseen offsets and lower-than-expected income.

2. Missing the chance to contribute to the Thrift Savings Plan
Civil Service Retirement System (CSRS) employees who do not contribute to the tax-deferred Thrift Savings Plan (TSP) are missing a good chance to increase their retirement income. Federal Employees Retirement System (FERS) employees who do not contribute are missing out on government contributions to their TSP accounts and the growth of a critical part of their retirement package. CSRS and FERS employees can make tax-deferred contributions of up to $18,500 for 2018. It is particularly critical for FERS employees to begin making contributions to the TSP as soon as they can during their federal careers because the TSP is intended to make up about one-third of their income in retirement. A FERS employee who maximizes his or her TSP contributions by midcareer (that is, about 15 years before retirement) may have TSP contributions two to three times higher than the FERS employee who maximizes his or her TSP contributions five years before retirement. Note that employees over age 50 who contribute the maximum to the TSP are allowed to make an additional $6,000 in “catch-up” contributions.

3. Forfeiting the opportunity to pay your military service credit deposit
Employees must pay their military service credit deposits to their employing agencies before they retire. They cannot pay the Office of Personnel Management after they retire. CSRS employees hired before Oct. 1, 1982, must pay the deposit to assure retirement credit continues if they are eligible for Social Security at age 62, or their date of retirement if later than age 62. CSRS employees hired after Oct. 1, 1982, must pay the deposit to have military service included in their annuity computation. FERS employees must pay the military deposit to get credit for military service for both retirement eligibility and retirement computation purposes.

4. Not purchasing long-term care insurance coverage at the right age
Long-term care insurance rates are based on a person’s age when he or she applies. From an actuarial perspective, people pay the same overall average total in long-term care insurance premiums. Younger people pay smaller amounts over a longer period of time, while older people pay higher rates over a shorter period of time. The key factor is that acceptance rates among younger employees are significantly higher than for older employees and retirees. Since you also have to be sure that you can continue to pay the premiums after retirement, you need to have a good idea of what your net retirement income will be after reductions (for survivor annuity, etc.), federal and state income taxes, and other premium deductions (for group health and life insurance). If you are in good health, it may be best to wait until you are in your 50s to consider purchasing long-term care insurance. At that point, you will have a better grasp of your financial situation, the assets to protect and the amount of long-term care insurance you can afford.
5. Mismanaging your sick leave
Both FERS and CSRS employees now receive full credit for their unused sick leave. Don’t wait until you are applying for retirement to find out how many hours of sick leave won’t be used in the computation of your CSRS or FERS annuity. It’s recommended that you take the time to project the maximum sick leave balance you could have upon separation approximately 2 or 3 years prior to retirement. Then ask your agency retirement office to help you determine how many of those hours would not be used in the computation of your annuity. With this information, you will know how many hours to consider leaving for retirement computation purposes and how many hours to consider using before retirement since unused sick leave is not paid out after separation.

6. Leaving annual leave calculations to the last minute
Most federal employees have a ceiling of 240 hours of annual leave that they can carry over from one year to the next. Leave above the ceiling at the end of a leave year falls into the “use or lose” category. An employee who carries their limit of annual leave hours into a new payroll calendar year and plans to retire the following December 31 can be paid a lump sum for the 240 hours plus the leave accrued through December 31, a total of up to approximately 440 hours (depending upon annual leave usage and the number of full pay periods worked during that last year of employment). The lump sum annual leave payment takes 2 to 4 weeks to be paid out after separation and is taxable in the year in which the payment is received. As long as this employee separates federal service prior to the first day of the new payroll calendar leave year, all of the unused annual leave hours will be paid out shortly after separation. If this employee decides to continue federal service into the new payroll calendar year, any hours of annual leave above the carry over limit would be lost.

7. Failing to have five years of FEHB coverage before retiring
A federal employee covered by a spouse’s private-sector health plan who opts not to enroll in the Federal Employees Health Benefits (FEHB) Program while employed or is enrolled in the FEHB less than five years immediately prior to retirement cannot continue enrollment in the FEHB as a retiree. To preserve this valuable benefit, employees should enroll in a low-cost Self Only FEHB plan at least five years before retiring in order to continue FEHB into retirement and maintain the opportunity to change coverage at a future Open Season.

8. Neglecting to elect a survivor benefit when you retire
Eiecting a survivor benefit for a spouse at retirement or upon marriage (or remarriage) after retirement will entitle a surviving spouse to a monthly annuity and to continue federal health benefits coverage. Recent retirees can (within 18 months) elect a survivor benefit; however, post-retirement elections are very costly. Survivor benefits for a post-retirement marriage must be received by OPM within two years of the marriage. The survivor can pay FEHB premiums directly if the survivor annuity does not cover the premium.

9. Expecting to receive a full Social Security retirement
The Windfall Elimination Provision (WEP) can reduce, by up to 60 percent, the earned Social Security benefits of a CSRS federal worker (not a FERS-only employee). Under the Government Pension Offset (GPO), CSRS annuitants could lose all of their survivor Social Security benefits. To prepare for this hit, educate yourself on these issues, adjust your retirement budget accordingly and work to repeal these laws.
And the **WORST MISTAKE** Federal Employees Can Make:

10. Not Joining NARFE Before Retirement
As hard as federal agencies try to educate employees about their benefits, there is a gap in knowledge and understanding on the part of many employees. NARFE helps bridge that gap with resources from the NARFE Federal Benefits Institute, one-on-one help from NARFE’s federal benefits experts, the monthly *NARFE Magazine*, email alerts and much more.

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**NARFE Membership Provides:**

**Legislative Representation**
NARFE’s national legislative program is advanced in Congress by a team of registered lobbyists backed by an informed network of grassroots activists in every state and congressional district, and a member-supported Political Action Committee. The Association’s strong supporters and years of experience on Capitol Hill and in federal agencies have made NARFE a name respected by members of Congress and a key player in the federal community.

**NARFE Magazine**
NARFE’s award-winning monthly magazine for active and retired federal employees gives current information about legislative issues that affect you, an in-depth look at federal benefits and financial planning topics, questions and answers, career issues and more!

**NARFE Retirement Support**
NARFE’s Federal Benefits Services Department is available to assist you with your benefits questions. Additionally, members have access to the NARFE Federal Benefits Institute, offering webinars and valuable resources with guidance on CSRS and FERS retirement, health and life insurance, Medicare, Social Security, Federal Long Term Care Insurance, the Thrift Savings Plan and more.

**NARFE Member Perks**
NARFE Membership entitles you to special rates on insurance, wellness, travel, moving, products, services, and more!

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*Protect your nest egg and prepare for retirement. Join NARFE today!*

The National Active and Retired Federal Employees Association (NARFE) is the only association solely dedicated to safeguarding and enhancing the benefits of America’s active and retired federal employees, and their survivors. [www.NARFE.org/Join](http://www.NARFE.org/Join) | [800-456-8410](tel:800-456-8410)

NARFE does not provide legal advice or assistance, does not provide financial planning advice or assistance, and does not provide tax advice or assistance. For legal, financial planning or tax advice/assistance, NARFE recommends members contact an attorney, financial planner or certified public accountant/tax adviser.
Who Should Join the National Active and Retired Federal Employees Association?

If your future security is tied to federal retirement benefits – federal retirees, current employees, spouses and individual survivors – you should join NARFE.

**NARFE MEMBER BENEFITS**

- Get monthly issues of *narfe* magazine with news and insights for the federal community.
- Access the NARFE Federal Benefits Institute for powerful resources to help you fully understand and manage your benefits.
- Visit the Legislative Action Center to contact your representatives about bills affecting federal benefits.
- Visit the Member Perks page for a full listing of the many time-, money- and hassle-saving benefits available only to NARFE members.
- The opportunity to get involved at the local level by joining a chapter in your area.

**PAYMENT OPTIONS**

- Check, Money Order or Bill Pay (Payable to NARFE)
- Bill me (NARFE membership will start when payment is received.)
- Charge my:
  - MasterCard
  - VISA
  - Discover
  - AMEX

**TOTAL DUES**

$40 Annual Dues X _________ = _________

Per Person # Enrolling Total Dues

Dues payments are not deductible as charitable contributions for federal income tax purposes.

Looking to meet others in the federal community and participate in NARFE at a local level? Call 800-627-3394 to learn about a NARFE chapter in your area.

Or, if known, add Chapter # to join now _______________

**MAY WE THANK SOMEONE?** If applicable, please provide the name, membership and chapter number of the member who introduced you to NARFE:

Recruiter's Name

Recruiter's Membership ID

Recruiter's Chapter Number

NARFE respects the privacy of our members. Personal information is used to provide content and relevant communications to our members, and will not be sold or rented to third parties without your express permission.