



# Survivor Benefits: Pain-Free Planning

A NARFE Federal Benefits Institute Webinar

Presented by James Marshall

# Be Prepared for Life's Events



## [Be Prepared for Life's Events](#)



# Estate Planning Webinars



## NARFE FEDERAL BENEFITS INSTITUTE

**Welcome to the NARFE Federal Benefits Institute:** your gateway to live and recorded learning events and valuable resources designed to help NARFE members take charge of your federal benefits and guarantee a secure future.

**These resources are always FREE to members.**

[The last estate planning webinar was recorded on December 13, 2018](#)

[The next estate planning webinar will be on December 12, 2019](#)



# Beneficiary Forms for Lump Sum Payments



- [SF 1152](#) – Unpaid Compensation
- [SF 2808](#) – CSRS or CSRS Offset
- [SF 3102](#) – FERS
- [SF 2823](#) – FEGLI
- [TSP 3](#) – Thrift Savings Plan



# Designation of Beneficiary



**Designate a beneficiary or payment goes to:**

- 1. Your widow or widower**
- 2. Your children or their descendants**
  - Does not include stepchildren
- 3. Your parents**
- 4. Executor/administrator of estate**
- 5. Other next of kin**

# TSP Beneficiary Other Than Spouse



- **Cannot keep funds in TSP**
- **May not be rolled over into an IRA or employer plan**
- **Option to transfer to an inherited IRA**
  - Distributions can generally be spread over lifetime of beneficiary
- **Recommend discussion with tax advisor or IRA provider**
  - [Important Tax Information for TSP Death Benefit Payments](#)

***[www.tsp.gov](http://www.tsp.gov)***  
***Reference [TSPBK31](#)***

# TSP Beneficiary Participant Accounts (Spouses Only)



## TSPBK33

- **Same investment and withdrawal options**
  - But not eligible for TSP loans
- **Cannot accept transfers or rollovers into BPAs**
  - However, the BPA may be transferred into the surviving spouse's own retirement account
- **Beginning date for required distributions from a BPA is based on the age of the deceased participant**
- **If money remains in BPA upon death of spouse:**
  - Cannot be transferred or rolled over to an IRA (to include inherited IRA) or eligible employer plan



## Eligibility:

### For spouse

- Marriage lasted at least nine months (employees or annuitants); or
- Birth of a child (employees only); or
- Death deemed accidental (employees only)





## Eligibility:

- **For former spouse**
  - Marriage lasted at least nine months, and
  - Awarded a survivor benefit by court order, and
  - Has not remarried before age 55
    - Exception: 30+ years of marriage

# Child(ren) CSRS/FERS Survivor Benefits



## Eligibility:

- **For a child**
  - Natural, adopted or stepchild
  - Unmarried
  - And under age 18
    - But if full-time student, eligible until age 22
    - Or for rest of life if disability prior to 18





## Death of employee:

- **Spousal monthly survivor benefit**
  - spouse/former spouse only
- **FERS basic employee death benefit**
  - spouse/former spouse only
- **Children monthly survivor benefits**



### Monthly payment payable to spouse:

- 22+ years of service: 55 percent of earned retirement benefit (regardless of age).
- Less than 22 years of service: guaranteed minimum, which is 55 percent of
  - 40 percent of your high-3 average salary, or
  - Your earned annuity projected to age 60, whichever is less
- CSRS Offset?

# FERS Spousal Survivor Benefits

## Death of Employee



### Basic Employee Death Benefit

**Payable to spouse if employee has 18+ months of service:**

- **Lump-sum death benefit: \$33,998.05 (2019)**
  - plus 50 percent of your final salary (or high-3 salary, if greater)

# FERS Spousal Survivor Benefits

## Death of Employee



### **Monthly payment also payable to spouse if employee has 10+ years of service:**

- Surviving spouse annuity: 50 percent of the basic retirement benefit.



## Survivor Benefit – no election required

A fixed rate per child; 12/1/18 – 11/30/19 rate:

- \$537 per month per child (1 living parent), \$1,611 max
- \$644 per month per child (no living parent), \$1,932 max



## Survivor Benefit – no election required

A child's survivor benefit rate is:

1. The total amount payable to all children under CSRS
2. Minus the total amount payable to all children by Social Security
3. Divided by the number of children

# What If You Separate Federal Service Mid-Career?



- **CSRS?**
- **FERS?**
  - Married?
  - 10+ years of service?
- **Beneficiary forms**
- **Be prepared for life's events**



# CSRS/FERS Survivor Benefits

## Death of a Retiree



### Elections:

- **Spousal (current and/or former) monthly survivor benefit**
  - No health requirement
- **Insurable interest monthly survivor benefit**
  - Requires good health; only available at retirement

### **No election required:**

- **Children monthly survivor benefits**
- **FERS spousal supplement**

# What If I'm Married When I Retire?



- **Spousal Survivor Benefit Options**
  - Full
  - Partial
  - None (FEHB warning)
- **Changes later**
  - Within 30 days of first regular payment
    - Any change
  - Within 18 months of retirement
    - Increase only
    - Expensive deposit required (plus interest)
  - Permanent unless divorce/death



# Alternative Form of Annuity



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

## [Alternative Annuity Elections](#)

# What If I'm Not Married When I Retire?



- **Insurable Interest Survivor Benefit**
  - Must be in good health
  - Not applying for disability retirement
  - Name one person at retirement
    - A close relative, or
    - Someone who depends on you for support



# Insurable Interest Survivor Benefit



	<b>Survivor Benefit</b>	<b>Reduction to Retirement Benefit</b>
<b>CSRS or FERS</b>	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

# What If I'm Not Married When I Retire?



- **Elect within 2 years of post-retirement marriage**
  - Full or partial
  - Effective no earlier than nine months
  - Deposit required (plus 6 percent interest)
    - Permanent actuarial reduction
- **Changes later**
  - Permanent unless divorce/death
  - Missed opportunity – former spouse?



# How Long Do These Survivor Benefits Last?



- **Spousal benefits usually last for life**
  - Unless remarriage before 55
    - Exception: 30 years of marriage
- **Children benefits**
  - Usually until age 18
    - Until age 22 if unmarried and full-time student
    - Rest of life if disability before age 18



# What If I Go Through a Divorce?



**What will the  
court order say?**

**If federal  
benefits will be  
awarded to the  
former spouse:**

- [OPM Handbook for Attorneys](#)
- [Court-Ordered Benefits for Former Spouses](#)

# Former Spouse Survivor Benefit



- **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 upon death of former spouse or remarriage before 55 (unless married 30+ years)**



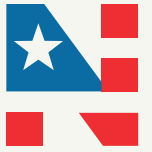
## What if you are divorced and get remarried after you retire from federal service?

- What does the divorce decree say about former-spouse survivor benefits?
- Regardless, you still might want to elect a survivor benefit for your new spouse.



## What is it?

An extra benefit payable from OPM to the surviving spouse of a deceased **FERS annuitant** that helps bridge the gap between the time of the annuitant's death until the spouse qualifies for widow/widower benefits from Social Security.



## How is it computed?

- It's based upon the lesser of:
  - The difference between a CSRS survivor benefit vs. FERS survivor benefit, or
  - The amount of the hypothetical Social Security spousal survivor benefit



## When is it payable?

- Between the date of the annuitant's death until the surviving spouse becomes entitled to Social Security widow/widower benefits (usually stops at age 60).



# Federal Employees Group Life Insurance (FEGLI)



- **Once retired, you can always reduce, but you can never increase**
- **Basic insurance amount (final salary rounded up to nearest thousand + \$2,000)**
- **Reduction options:**
  - 75 percent reduction
  - 50 percent reduction
  - No reduction

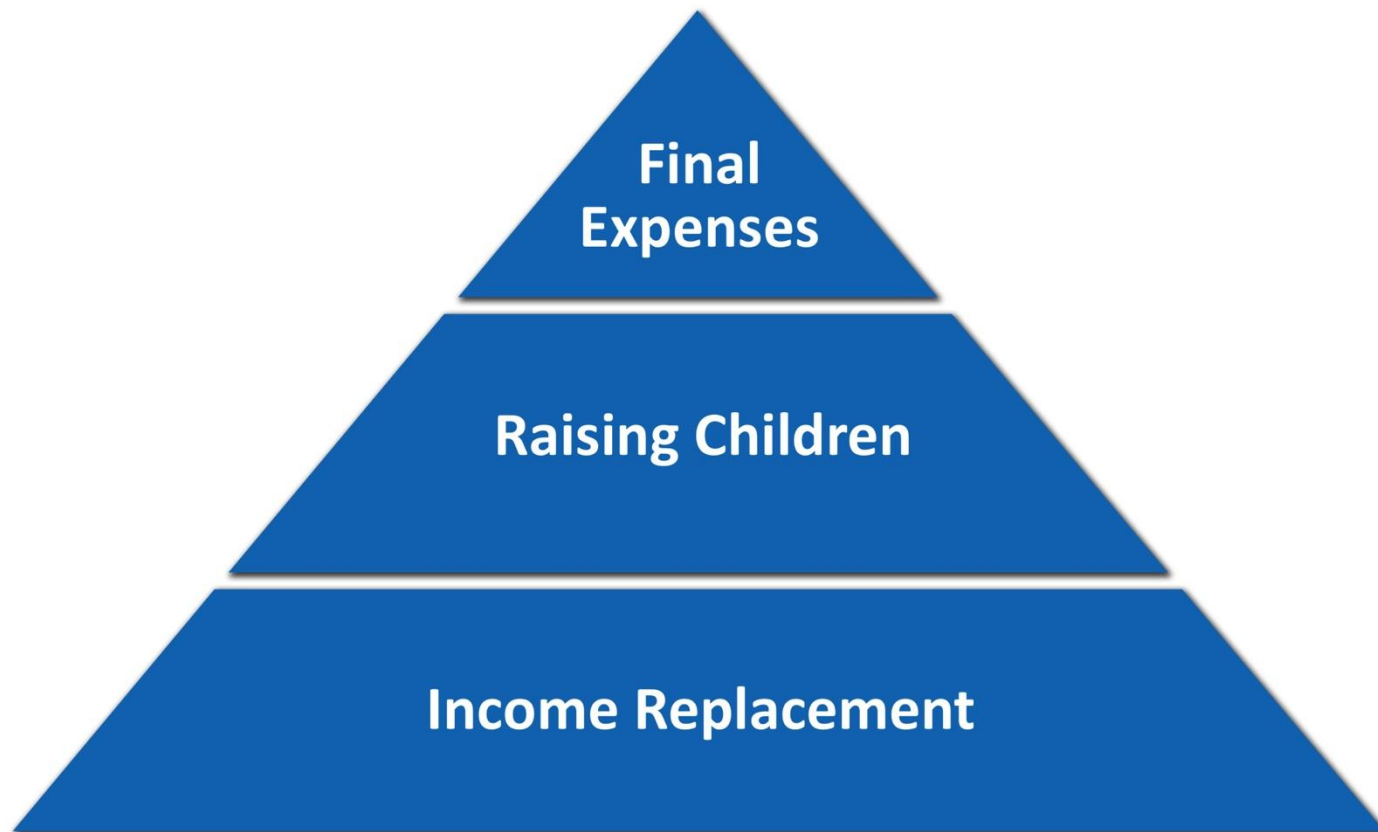


# Federal Employees Group Life Insurance (FEGLI)

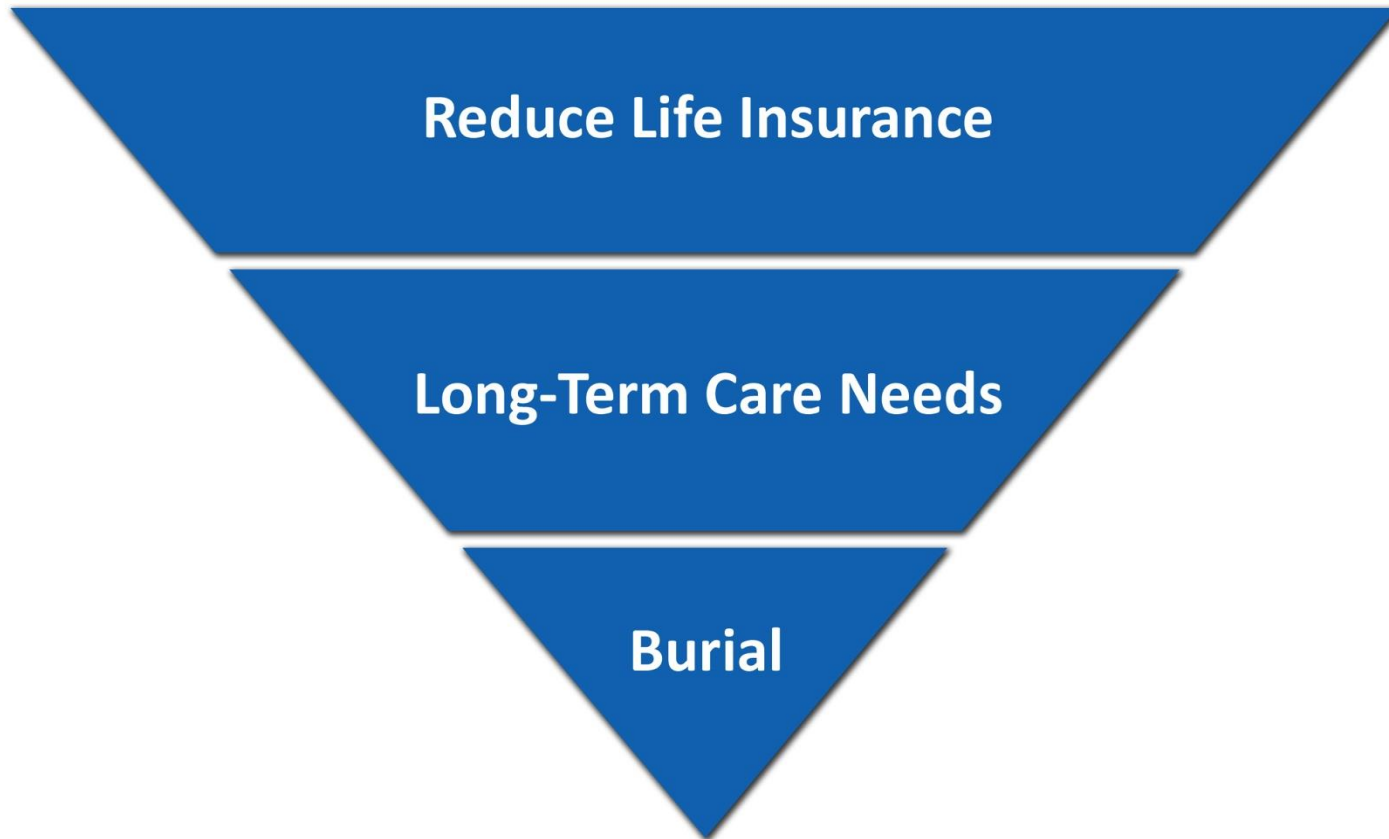


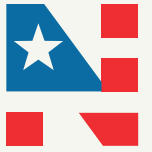
- **Option A (\$10,000)**
  - Automatic reduction
- **Option B – One to Five Multiples**
  - No reduction or full reduction
- **Option C – One to Five Multiples**
  - No reduction or full reduction
- **When was the last time you evaluated your life insurance needs? [FEGLI Calculator](#)**

# How much life insurance do you need?



# Insurance Needs Change Over Time:





- **Webinar**
  - [Social Security: A Key Ingredient in Your Retirement](#)
- **Married/divorced?**
- **Delayed retirement credits**
- **What if your spouse dies before you?**
- **WEP/GPO?**

# Social Security Example



## Tom (currently 76)

- **Drawing SS benefit**
  - \$2,400/month
- **If Mary dies, Tom continues to draw**
  - \$2,400/month

## Mary (currently 72)

- **Drawing SS benefit**
  - \$1,800/month
- **If Tom dies, Mary's benefit increases**
  - \$2,400/month

# Social Security Example



## Liz (currently 68)

- **Drawing SS benefit**
  - \$2,400/month
- **If Dan dies, Liz continues to draw**
  - \$2,400/month

## Dan (currently 62)

- **Drawing SS benefit**
  - \$1,500/month
- **If Liz dies, Dan can choose to draw**
  - \$1,800/month now, or
  - \$2,400/month at FRA

# Social Security Example



## Barry (currently 66)

- **Drawing SS benefit**
  - \$2,000/month
- **If Susie dies, Barry continues to draw**
  - \$2,000/month
  - Unless his widower benefit is larger

## Sue (currently 60)

- **Too young to draw SS**
- **If Barry dies, Sue has options**



**Sue (currently 60) can choose to:**

- **Draw \$1,430/month widow benefit now, and switch to her own larger worker benefit later**
  - Her earned benefit maxes out at age 70
- **Or wait until 62 to draw her minimum earned benefit, and later switch to her widow benefit**
  - Widow benefit maxes out at her FRA (\$2,000/mo.)



- [CSRS Information for Survivor Annuitants](#)
- [FERS Information for Survivor Annuitants](#)
- [Thrift Savings Plan Booklet 31 – Death Benefits](#)
- [Social Security – What You Need to Know](#)



# Summary



- **Take the time to understand all the benefits that are payable and available to those you leave behind**
- **Make life easier on those you leave behind**
  - Proper estate planning
  - Important documentation secured, protected, easy-to-find
- **NARFE will always be a resource to you and those you leave behind**

