MAXIMIZING FEDERAL BENEFITS FOR TOMORROW'S FINANCIAL PEACE OF MIND

A WEBINAR FOR EMPLOYEES FROM YOUR EMPLOYEE ASSISTANCE PROGRAM

October 9, 2024

PSC | Federal Occupational Health

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OBJECTIVES

Ways to maximize your benefits for retirement

Replace it: Substitute your income

Use your benefits to stream money once you retire

Leave it: Fund your family’s future

Ensure your accounts are efficiently managed for your heirs

Protect it: Safeguard your standard of living

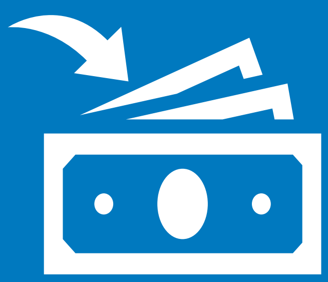
Shield your benefits against economic changes

Enjoy it: Make the most of your saved money

Have a bucket of money for the sole purpose of creating experiences with the people you care about

SECTION 1

REPLACE IT: SUBSTITUTE YOUR INCOME



Pension, Social Security, and TSP

PENSION: CSRS

If you are a Civil Service Retirement System (CSRS) employee

Congratulations, you've likely met your minimum retirement age and your maximum benefit!

- Max benefit accrues at **41 years and 11 months**
  - 80% of your highest paid three working years (High 3) for as long as you live

Example

If you made $100k a year during your High 3, when you retire, the government will pay you $80,000 a year for the rest of your life!

  - If you work beyond these years, you'll be reimbursed for any contributions that came out of your paycheck

- You don't get Social Security based on your time at the Federal Government because you DO NOT CONTRIBUTE to it
  - You may be entitled to some Social Security from "moonlighting"

PENSION: CSRS OFFSET

Employees hired/re-hired in the mid 80's during the FERS integration period may be on a hybrid system

Combines factors of the CSRS, but you are also eligible for Social Security because contributed to it

Your social security and CSRS Offset pension, will never be less than 80% of your High 3

PENSION: FERS

- Calculated based on your High 3
  - 1% x High 3 salary x Years of Service
  - Example: $100,000 X 1% X 30 years = $30,000
  - If you retire after 20 years and are 62, your pension will be calculated at 1.1% instead of 1%
- Example: $100,000 x 1.1% x 30 years (Older than 62) = $33,000
- May receive your full benefit as early as age 55, depending on when you were born
- If you want to retire before you are fully eligible, you can delay your benefit or take a reduced benefit early
- No matter the system, your pension is paid for life, you may have a survivor benefit, and your cost of living is protected

For specific details on calculations, Minimum Retirement Age (MRA), and more, visit:

opm.gov/retirement-center/fers-information/eligibility

SOCIAL SECURITY

Not a Federal employee-specific benefit

- Go to SSA.gov to understand what your amounts will be
- Between your Federal Pension and your Social Security, you will have a great starting point for a lifetime of income

Social Security Supplement

- If you reach your MRA and have 30 years of service, you are entitled to a supplemental pension until you're 62

SOCIAL SECURITY

- Cost of living is protected
- Benefit fully accrues at your Full Retirement Age (FRA)
  - 66-67 depending on when you were born
- Increases by about 8% each year you delay claiming Social Security
- When can you claim?
  - Age 62 is the earliest you can claim, age 60 if widowed
- Claiming before FRA
  - Any income you make above the federal limit (approximately $18,960), $1 for every $2 above the limit will be reduced from your benefit

SOCIAL SECURITY BENEFITS

Spousal benefits	Death benefits	Taxes
Spouses or ex-spouses are entitled to 50% of your benefit, **OR** 100% of theirs (whichever is higher)	Surviving or ex-spouse is entitled to 100% of your benefit, **OR** 100% of theirs (whichever is higher)	Up to 85% of Social Security is considered taxable income federally

THRIFT SAVINGS PLAN

A federal retirement savings plan with special tax considerations

HOW TSP IS FUNDED

Contributions:

– Made via automatic paycheck deductions

Up to 5%	Government matches on your behalf
1%	Automatic (even if you don't contribute)
100%	Match on the next 3% of your paycheck
50%	On the next 2% of your paycheck

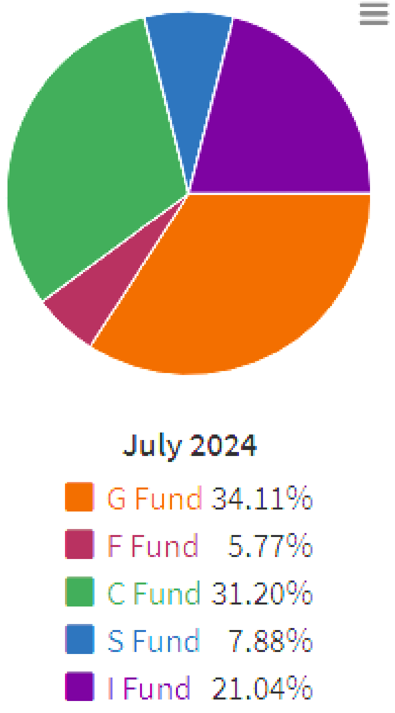
– Invested in up to five individual funds or moved incrementally into a separate investment account (mutual fund window)

ALLOCATION

Index funds

- **C:** Common stock (S&P 500)
- **S:** Small stock (Dow Jones Total Stock Index)
- **I:** International stock (EAFE Index)
- **F:** Fixed (Bloomberg U.S. Bond Index)
- **G:** Government interest
- **L:** Life cycle
  - Invested into automatically
  - For individuals who aren't exactly sure how to allocate
  - Funds allocate according to your proximity to retirement

Allocation Target



Find out more at:
tsp.gov/funds-individual

RETIREMENT OR SEPARATION OF SERVICE

Payout Option 1: Installment payout

- Monthly, quarterly, or annually
- Fixed dollar amount ***or*** based on life expectancy
  - Life expectancy payout changes annually based on amount and IRS tables
- Payouts continue until stopped or until there's no more money
- Choose between traditional or Roth balances
- Must withhold 20% of taxes if payout is less than 10 years (cannot be waived)
- Taxes are withheld as if you are married with three dependents if payout is more than 10 years (unless waived)

RETIREMENT OR SEPARATION OF SERVICE

Payout Option 2: Single or lump sum payout

– Once every 30 days
– Must be at least $1,000
– Mandatory 20% withheld
– No limit to the number of withdrawals, however, can only choose every 30 days
– Can be rolled over into a self-directed account

RETIREMENT OR SEPARATION OF SERVICE

Payout Option 3: Annuity payout

- Can be a portion of your TSP
- Once purchased, this cannot be changed

Single Life		Joint Life with Spouse*		Joint Life with Other Survivor
Level Payments	**Increasing Payments**	**Level Payments**	**Increasing Payments**	**Level Payments**
with no additional features	with no additional features	100% survivor annuity	100% survivor annuity	100% survivor annuity**
or	**or**	**or**	**or**	**or**
with cash refund feature	with cash refund feature	50% survivor annuity	50% survivor annuity	50% survivor annuity
or	**or**	**or**	**or**	**or**
with 10-year certain feature	with 10-year certain feature	100% survivor annuity with cash refund	100% survivor annuity with cash refund	100% survivor annuity with cash refund**
		or	**or**	**or**
		50% survivor annuity with cash refund	50% survivor annuity with cash refund	50% survivor annuity with cash refund

* A married FERS or uniformed services participant must obtain his or her spouse's waiver of the spouse's TSP survivor annuity benefit if an option is chosen other than joint life with spouse, with level payments and 50% survivor annuity.

** Available if joint annuitant is not more than 10 years younger than the participant.

REPLACE YOUR INCOME SUMMARY

- **Pension**
  - Determine what it will be – visit the OPM website or meet with a professional with experience in calculating Federal benefits
- **Social security**
  - Visit SSA.gov to determine what your benefit will be
  - Consider what you need your income to be and your specific family situation to determine when to turn it on and how it will affect your survivors
- **TSP**
  - Investment options have limited income-producing options, and more growth-oriented options
  - Has annuity options
  - Consider dedicating a portion of your assets to focus on income generation, rather than capital appreciation, to meet your financial requirements

SECTION 2

LEAVE IT: FUND YOUR FAMILY'S FUTURE

Pension, FEHB, and FEGLI

SURVIVOR BENEFITS

Pension

- Your pension has the option for a survivor benefit:
  - 10% cost to leave 50% behind
    - If my pension is $50,000 a year, I will only receive $45,000 of it
    - When I die, my spouse will receive $25,000
  - 5% cost to leave 25% behind
  - CSRS employees have a special rule that allows them to leave anywhere from 0% to 55% of their benefit to a spouse

FEHB

- If you were on the healthcare plan five years before retirement and selected a survivor benefit option, you can leave your health benefit to your spouse

FEGLI OPTION: BASIC

Basic

Your salary, rounded up to
the next $1,000, plus $2,000

$.3467 a month per
$1,000

Example: $100,000 =
$34.67/month

FEGLI OPTION: A

Standard

$10,000 in additional coverage on your life

Cost increases every five years

Age Group	Biweekly	Monthly
Under 35	$0.20	$0.43
35–39	$0.20	$0.43
40–44	$0.30	$0.65
45–49	$0.60	$1.30
50–54	$1.00	$2.17
55–59	$1.80	$3.90
60+	$6.00	$13.00

FEGLI OPTION: B

Additional

1-5x your salary in additional coverage on your life

Age Group	Biweekly per $1,000	Monthly per $1,000
Under 35	$0.02	$0.043
35–39	$0.02	$0.043
40–44	$0.03	$0.065
45–49	$0.06	$0.130
50–54	$0.10	$0.217
55–59	$0.18	$0.390
60–64	$0.40	$0.867
65–69	$0.48	$1.040
70–74	$0.86	$1.863
75–79	$1.80	$3.900
80+	$2.88	$6.240

FEGLI OPTION: C

Family

1-5x multiples on your eligible family members' lives

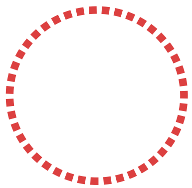
Each multiple equals:

- $5,000 for your spouse
- $2,500 for eligible dependent children

Age Group	Biweekly per multiple	Monthly per multiple
Under 35	$0.20	$0.43
35–39	$0.24	$0.52
40–44	$0.37	$0.80
45–49	$0.53	$1.15
50–54	$0.83	$1.80
55–59	$1.33	$2.88
60–64	$2.43	$5.27
65–69	$2.83	$6.13
70–74	$3.83	$8.30
75–79	$5.76	$12.48
80+	$7.80	$16.90

FEGLI IN RETIREMENT

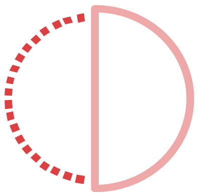
If you meet the requirements, you must choose what will happen to your Basic FEGLI when you turn 65 or retire (whichever is later)



No reduction

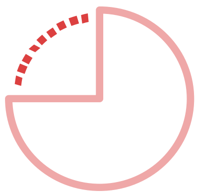
Basic coverage does not reduce

Cost is equal to what was deducted from your paycheck



50% reduction

Basic coverage reduces 1% each month until it reaches 50% of its pre-reduction amount



75% reduction

Basic coverage reduces 2% each month until it reaches 25% of its pre-reduction amount

Cost is free starting at age 65

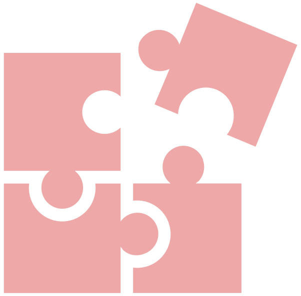
Keep in mind: Carrying FEGLI into retirement can get increasingly costly as you age, **especially if you have Option B**

SECTION 3

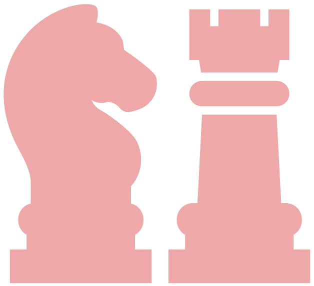
PROTECT IT: SAFEGUARD YOUR STANDARD OF LIVING

Economy, Taxes, Health, and Estate Planning

ECONOMY



Building a full plan involves putting all the pieces together so you can focus on living and retiring without fear of the economy



Be Intentional!

- Shifting your focus from accumulation to retirement is a difficult emotional jump
- If you focus on the right things, the ebbs and flows of the market become less and less important as living your best life becomes more and more primary

TAXES

Your TSP is Qualified Money!

From a tax standpoint is very similar to a 401k, 403b, 457, or IRA

Traditional TSP

- Pre-tax dollars
- Penalties before age 59.5
- Required minimum distributions at age 73
- Taxable upon withdrawal and death

Roth TSP

- After-tax dollars
- Required minimum distributions at age 73 is eliminated in 2024
- Tax-free upon withdrawal and death

TAXES

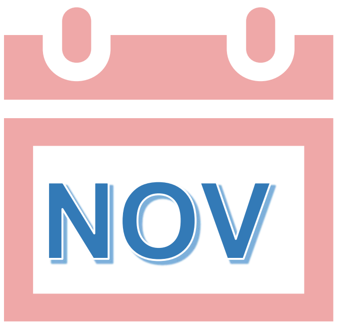
- There are many ways to pay as little in taxes as possible over the course of your life
  - When it comes to Federal benefits, your options lie in Traditional vs. Roth TSP
- Leaving behind a TSP can have unintended consequences

HEALTHCARE

- FEHB and FLTC
  - Health insurance you can keep in retirement
  - Long Term Care (LTC) helps protect against a sudden major health event

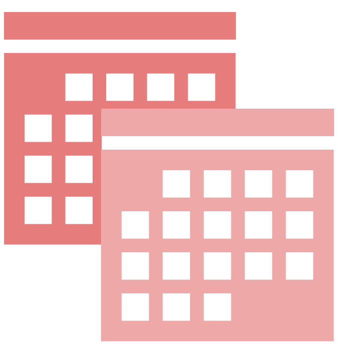
    NOTE: Currently, NEW applications for FLTCIPs are suspended
  - For more information on LTC visit: ltcfeds.com
- If you do not have an LTC plan, it's important to discuss it with your planning team

FEHB ENROLLMENT



Enroll or cancel

Only during open season



Change coverage

Within 60 days of a qualifying life event

What is a qualifying life event ?

FEHB IN RETIREMENT

You can continue benefits through retirement if you:

Are entitled to an immediate annuity, **AND**

Have been enrolled continuously for the five years of service immediately prior to the annuity start date

Have MRA+10 (Minimum Retirement Age +10 years of service)

- **If you defer your annuity, you:**
  - Will not be eligible for FEHB during the deferment period
    - You can apply for temporary coverage or convert FEHB to an individual contract
  - Can resume FEHB on the annuity start date
- **Your spouse can:**
  - Continue the benefit after your death, but **ONLY** if a survivor benefit is selected on the annuity
  - Be added during open enrollment

FEHB AND MEDICARE

Medicare is federal health insurance for those 65 and older

- **Medicare Part A**
  - Extra hospital insurance and free upon enrolling when eligible
- **Medicare Part B**
  - $170 a month and covers 80% of medical expenses
  - Not required to sign up if covered by FEHB
  - If you decide to sign up, coordinate to avoid paying for unneeded coverage
    - » Part B becomes your primary, FEHB becomes your secondary and covers the 20% not covered by Part B
  - If you do not select a survivor benefit, after your passing, your spouse will enroll in Medicare Part B

TRI-CARE

Health insurance for military and former military personnel

Tri-Care at 65:

- Must sign up for Medicare Parts A and B
- Turns into “Tri-Care for Life” for a fee, and acts as a supplement to cover the extra 20% of medical costs not covered by Part B

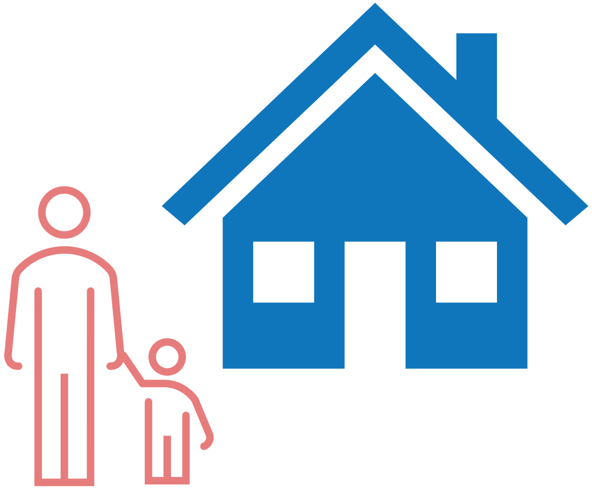
ESTATE PLANNING: BENEFICIARY TSP

Spouse:

- Receives the Beneficiary Participant TSP account
  - Little difference from the Primary Participant TSP account
- Can move into their own TSP or convert to a self-directed IRA
- If a beneficiary participant dies, the new beneficiary cannot continue to maintain the TSP or rollover into an IRA - must be cashed out

Non-spouse:

- Cannot retain the TSP account and must be moved into an "inherited IRA" within 90 days



SECTION 4

ENJOY IT:
MAKE THE MOST OF YOUR SAVED MONEY

ENJOY SAVED MONEY

- You will have worked 30+ years to get to retirement – it's time to enjoy it!
- Planning to replace your income is critical to ensuring you will have some freedom to spend your money as intended
- Your assets are for you to enjoy, insurance is for your family and friends to enjoy
- Reducing taxes during a historically low rate means more money in your pocket

SUMMARY

- **FEHB**
  - Can carry into retirement
    - » Must be enrolled for prior five years
  - Must have a spousal annuity for survivor benefit
  - Medicare isn't required, but can coordinate
- **FEGLI**
  - Group insurance; increases in cost
  - 75% coverage reduction is free in retirement
  - You may keep 100% coverage in retirement, but cost can increase significantly
- **FLTCIP**
  - 70% of people need LTC at some point
  - Premiums are not guaranteed
  - LTCFeds.com is your one-stop shop
- **OASDI**
  - Critical income stream for retirees
  - Coordinate with your income, spousal benefit, and tax strategy
- **Social Security Supplement**
  - Will receive until 62
    - » Must retire prior to 62, with MRA+30 or 20 and 60 rule

RESOURCES

From OPM

- FEGLI Handbook
  opm.gov/healthcare-insurance/life-insurance/reference-materials/publications-forms/fegli-handbook
- Compare Plans
  opm.gov/healthcare-insurance/healthcare/plan-information/compare-plans
- Healthcare
  opm.gov/healthcare-insurance/healthcare
- Insurance FAQs
  opm.gov/healthcare-insurance/insurance-faqs

Websites

- The Institute for Financial Education
  ifeonline.org | ifefe.org
- Federal Long-Term Care Insurance Program
  ltcfeds.com

Podcast

- FedImpact: Candid Insights for Your Federal Retirement with Chris Kowalik
  fedimpact.com/podcast

Online Articles

- How Life Insurance Do You Need?
  forbes.com/advisor/life-insurance/financial-plan
- Insurance Programs for Federal Employees, Retirees, and Annuitants
  myfederalretirement.com/insurance

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