

9 Things to Know for a Better Federal Employee Retirement

November 7, 2016 by The Federal Employee Blog Team

Caveat-These are not in the order of importance

1. TSP contribution limits for 2016 remained at \$18,000 plus \$6,000 catch-up contributions for folks over age 50. This calculates to \$692.31 per pay period and \$230.77 per pay period, respectively. **If you make your adjustments part way into the year, your contribution will be more each pay period.** Be sure to contact TSP to adjust your contributions if you want to take advantage of these higher limits.
2. Be aware that OPM only withholds Federal income taxes and not state income taxes from your interim retirement checks. Remember to make your quarterly state tax payments until you can elect to have a withholding from your normalized annuity.
3. Your lump sum annual leave buy-out check will be paid from your agency's payroll office. It may take up to six weeks from your separation to receive it.
4. It may seem obvious, but you'd be surprised how many people overlook their beneficiary forms! It is essential that you make sure all of your beneficiary forms are current – FEGLI, TSP and Survivor Benefit. Review them, update them if necessary, and print a copy for your files.
5. You cannot continue your life insurance coverage unless you are receiving an annuity. Therefore, if you postpone the beginning date of your annuity, your life insurance enrollment will terminate. When your annuity begins, the life insurance coverage you had when you separated from your employment will resume.
6. If you delay your annuity beginning date, your annuity rate will not include any cost-of-living adjustments (COLA's) that occur before you begin to receive the annuity. Once your annuity begins, you will be entitled to COLA's on any portion of your annuity which was computed under CSRS rules. However, you will not receive COLA's on FERS part of your benefit until you are 62.
7. Generally, if you are under 62 years of age and meet eligibility requirements, your FERS benefit is 1.00% of your high-three average salary multiplied by your years and months of service:

High 3 x 1.00% x Years of Service = Annuity

\$50,000 x 1.00% x 30 Years = \$15,000

If you are at least age 62 at separation and meet eligibility requirements, your annuity is 1.10% of your high-three average salary multiplied by your years and months of service:

High 3 x 1.10% x Years of Service = Annuity

\$50,000 x 1.10% x 30 Years = \$16,500

Waiting until age 62 to retire gives you an automatic 10% increase in your annuity!

8. If you take advantage of the FERS early retirement option (retiring at your Minimum Retirement Age), your annuity will be calculated according to the FERS annuity formula shown above. Then, if you have less than 30 years of service, it will be reduced 5% for each year you are away from age 62 when you retire or elect to receive benefits. Alternatively, if you are 60 with 20 years of service, there is no reduction.

9. The best day of the month to retire depends on whether you are CSRS or FERS. In general, your annuity will begin to accrue on the first day of the month following your retirement date. For FERS employees, this means the best day of the month to retire is the last day of the month – so that your annuity begins to accrue the very next day. CSRS employees can retire on the 1st, 2nd or 3rd day of the month, and it still counts as if they retired on the last day of the previous month. This means that the best day of the month for CSRS employees to retire is the 1st, 2nd or 3rd day of the month.

Sometimes people focus on retiring at the end of a pay period. This is not necessary, and it could lead to retiring on a day other than the best day. It is much more important to retire on the best day than the end of a pay period.

Federal retirement benefits are some of the best anywhere – but they are not simple or intuitive. Stay with us, and we will continue to provide details to help you learn more and more about your benefits.

Federal employee question of the day

Question: I am a FERS employee. I am 64 years old & will have 19 years of federal service by Feb. 2, 2016. How do I compute my retirement pension? What percentage will I lose from my SS pension?

Have you ever had any questions like this?

Disclaimer: Swanson Financial Services, Inc. is a Registered Investment Adviser. Advisory services are only offered to clients or prospective clients where Swanson Financial Services, Inc. and its representatives are properly licensed or exempt from licensure. This website is solely for informational purposes. Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by Swanson Financial Services, Inc. unless a client service agreement is in place.