What Federal Employees Aren't Being Told About Their Social Security Benefits

October 20, 2016 by The Federal Employee Blog Team

With a Social Security System that has nearly 3,000 filing rules, hundreds of potential filing strategies and a government workforce prohibited from dispensing advice to its citizenry (*including its own workforce retirees)*, it's more important than ever as a government career employee to retire with a careful, well-planned and solid retirement plan. Social Security, when properly integrated and orchestrated with the federal ***FERS*** retirement system and even the ***CSRS*** pension can potentially increase government employees' and their spouses' benefits up to hundreds of thousands of dollars over an expected lifetime.

Given the lack of solid advice on the mechanisms of Social Security many government retirees take their benefits early (at age 62), following the path of millions of Americans, simply because they are entitled to them at this age and are instructed to collect early. No fault of their own and *void of understanding all their available options*, taking *benefits early could potentially have* a lasting, *detrimental financial impact* not only on their own benefits, but also on their surviving spouse. This is not to suggest that circumstances do not exist in which a government retiree should file for benefits early at age 62; it's just as a hard-working, career employee, one should be empowered and armed with all the relevant information prior to retirement, so as not to leave money "on the table".

Like a well-oiled machine, a properly designed **FERS** (or **CSRS**) retirement plan that leverages the power of Social Security with pension, a Thrift Savings Plan (**TSP**) and/or other retirement accounts such as IRA's, 401(k), 403(b), 457(b) Deferred Comp plans etc., will go a long way in combating not only the corrosive effects of inflation and taxes but also may reduce the number one retirement risk; *longevity*. It is well-known that the gravest fear for most Americans is outliving their money – federal government employees, state government employees and municipal employees included.

Protect Your Spouse

For married couples, both *Survivor benefits* and *Spousal benefits* are options that may be well worth considering. Without proper planning, when one spouse predeceases the other, there can be a *precipitous drop in income for the surviving spouse*. For instance, it is not uncommon to see declines of income between 35-50%. This impact on the surviving spouse years later could be significantly magnified when considering the long-term, down the road effect of inflation and taxes. More to the point – even including government employees who have guaranteed **FERS**/**CSRS** pensions; this is an insufficient basis upon which a lifetime income plan should be built, whether single or married. Unlike the **FERS** or **CSRS** maximum survivor pension of 50% and 55% respectively, Social Security has a maximum protection for surviving spouses of 100%, *if* certain criteria are met. This is worth considering when looking at a big picture view of protecting your loved one or yourself with a well-designed and fortified, 20-30 year retirement plan.

Let’s examine how Social Security Spousal benefits work, since many couples do not even know they exist. ***Spousal* benefits for married couples**: one spouse is entitled to 50% of the other spouse’s full retirement age (FRA) benefit at their full retirement age. For example, take a married couple who has reached their FRA at age 66 (FRA is determined based on the year you are born), if one spouse has “filed and suspended” for a $2,500 monthly Social Security benefit, the other spouse could claim a $1,250 monthly Spousal benefit while delaying to increase their own benefit. Divorced couples can also be eligible for spousal benefits.

Once retired, everyone knows there are no “do-overs”; the retirement landscape can be a scary place to walk. Given today’s roller coaster like rides of the stock market and TSP accounts, global uncertainty and the risk of outliving at least some of one’s money, proper planning is essential.

By considering one’s Social Security options in combination with your FERS / CSRS retirement annuity and TSP and possibly other retirement accounts, one can potentially unlock hidden value and dramatically increase one’s retirement income.

Federal employee question of the day

From a FAA Federal Employee: What are the rules for carrying FEHB health care insurance into retirement? My husband and I are both federal employees under FERS and have kept our individual FEHB health care insurance through different providers. My husband is eligible to retire in 2017. I would like to retire at the same time but I’m not eligible until 2020. Could my husband add me to his health insurance plan and then we both retire in 2017? Other than the age reduction to my annuity are there any other impacts to my retirement?

Have you ever had any questions like this?