



Federal Employees Retirement System (FERS)

PRE-RETIREMENT PLANNING



Agenda

- **Types of Retirements and Eligibility Requirements**
- **Annuity Computation**
- **Creditable Service**
- **FERS Special Annuity Supplement**
- **Computation of Disability Benefits**
- **Survivor Benefits**
- **Thrift Savings Program**
- **FEHB, FEDVIP, FSA, FEGLI and LTC Insurances**
- **Social Security Benefits - Overview**
- **Retirement and Estate Planning Basics - Overview**
- **Non-Regular Retirement (Reserve Component) - Overview**



5 Year Pre-Retirement Planning

- **Utilize retirement calculators such as the Federal Ballpark E\$timate calculator to determine income needs in retirement**
- **Utilize EBIS calculator for rough annuity estimates**
- **Utilize TSP calculators for various savings projections**
- **Request retirement estimate from the Army Benefits Center-Civilian (ABC-C)**
- **Adjust and Maximize TSP contributions & any other savings as necessary based on the results from calculators and estimates**
- **Verify eligibility for maintaining FEHB & FEGLI into retirement**
- **Ensure all military deposits have been completed**
- **Ensure all civilian deposits and/or re-deposit's have been completed**



Pre-Retirement Planning Links

Federal Ballpark E\$timate:

<https://www.opm.gov/retire/tools/calculators/ballpark/menu.asp>

Retirement information & services provided by OPM:

<http://www.opm.gov/retire/index.asp>

U.S. Financial Literacy Education Commission website:

<http://www.mymoney.gov>

Army Benefits Center–Civilian EBIS:

<https://www.abc.army.mil>

Social Security Administration:

<http://www.ssa.gov>

Thrift Savings Plan:

<http://www.tsp.gov>



Federal Employees Retirement System (FERS)

Types of Retirement And Eligibility Requirements



Federal Employees Retirement System (FERS)

The Federal Employee Retirement System (FERS) is a multi-tiered retirement system composed of three basic parts:
(sometimes referred to as a three legged stool)

- **FERS Basic Annuity – A defined benefit plan**
- **Thrift Savings Plan – A defined contribution plan**
- **Social Security benefits at age 62 (OASDI)**
- **A FERS Special Annuity Supplement may be paid until age 62 (If applicable)**

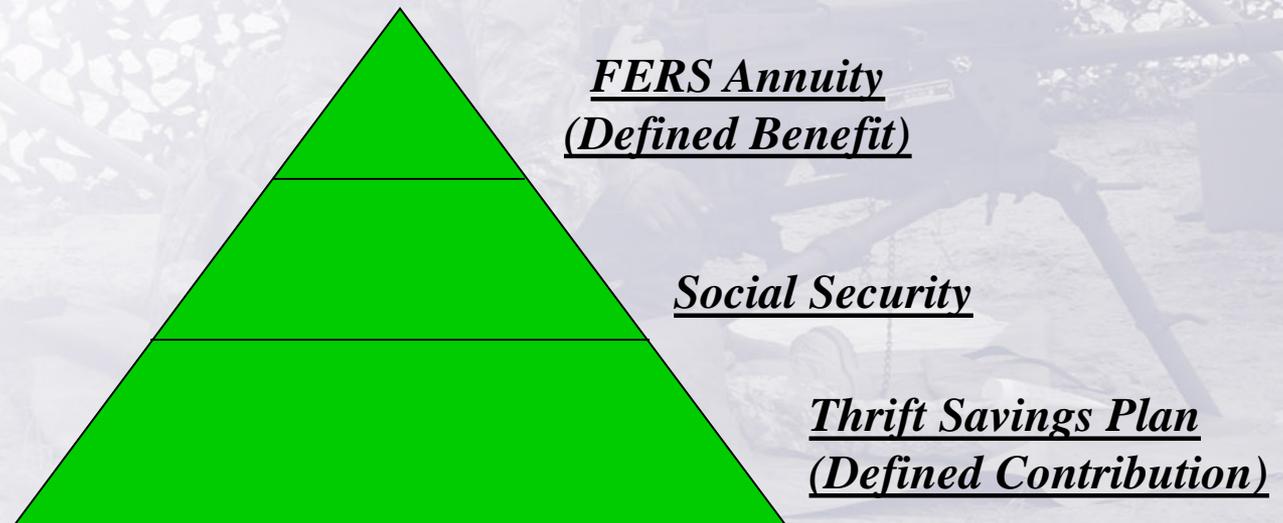


Federal Employees Retirement System (FERS)

3-tiers of the FERS retirement system

FERS annuity is typically the smallest component

TSP **WILL** make up the largest portion of your total retirement
with proper planning





Federal Employees Retirement System (FERS)

FERS Contribution Rates (Generally - If hired under FERS on or before 12/31/2012)

Category	FERS Contribution Rates (%)		
	Normal Cost %	Employee %	Agency %
Regular (Non Dual Status)	12.7	.8	11.9
Military Reserve Tech	15.7	.8	14.9

(.8% = \$8.00 per thousand earned)



Federal Employees Retirement System (FERS)

Revised Annuitant Employee

FERS-RAE Contribution Rates (Generally - If first hired under FERS 1/1/2013 – 12/31/2013)

Category	FERS RAE Contribution Rates (%)		
	Normal Cost %	Employee %	Agency %
Regular (Non Dual Status)	12.7	3.1	9.6
Military Reserve Tech	15.7	3.1	12.6

(3.1% = \$31.00 per thousand earned)

(An increase over FERS of 2.3% = \$23.00 per thousand earned)



Federal Employees Retirement System (FERS)

Further Revised Annuitant Employee

FERS-FRAE Contribution Rates (Generally - If first hired under FERS on or after 1/1/2014)

Category	FERS FRAE Contribution Rates (%)		
	Normal Cost %	Employee %	Agency %
Regular (Non Dual Status)	12.7	4.4	9.6
Military Reserve Tech	15.7	4.4	12.6

(4.4% = \$44.00 per thousand earned)

(An increase over FERS of 3.6% = \$36.00 per thousand earned)

(An increase over FERS RAE of 1.3% = \$13.00 per thousand earned)



Federal Employees Retirement System (FERS)

Minimum Eligibility Requirements:

- **Must have 5 years of creditable civilian service**
- **Retire from a FERS-covered position**



Federal Employees Retirement System (FERS)

Types of Retirement:

- **Voluntary / Optional Retirement (Immediate)**
- **Early Optional / Voluntary (Immediate)**
- **Discontinued Service Retirement (Immediate)**
- **Deferred Retirement (Not immediate)**
- **Disability Retirement (Immediate)**
- **Special Provision for Military Reserve Technicians**



FERS - Minimum Retirement Age

If you were born:	Your MRA is:
Before 1948	55
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
From 1953 to 1964	56
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
1970 or later	57



FERS Voluntary Retirement (Unreduced)

Minimum
Age:

Minimum Years
of Service:

MRA

60

62

30

20

5



FERS Voluntary Retirement

(MRA +10 - Reduced)

Minimum

Age:

MRA

Minimum Years

of Service:

**At least 10 years
of service, but
fewer than 30**



FERS - MRA +10 REDUCTION

- The reduction for taking an MRA +10 annuity is 5% per year for each full year you are under age 62 at the time the annuity begins (.42% for each full month).
- The age reduction in the annuity is permanent **unless** the annuity is postponed to age 60 w/20+ years.
- You may also be eligible to have FEHB and FEGLI reinstated if you **postpone** collecting annuity.



FERS

Voluntary Early Optional Retirement

Minimum
Age:

50
Any

Minimum Years
of Service:

20
25

- Early optional rules are the same as the DSR
- No reduction in the annuity for being under age 55
- This retirement is **NOT** an option proposed by the employee, your employing Agency makes an offer for Early retirement (example; RIF or Reorganization)



FERS

Discontinued Service Retirement (DSR)

Minimum
Age:

50
Any

Minimum Years
of Service:

20
25

- **Involuntary Separation from Civilian Service**
- **Eligible for Special Annuity Supplement at MRA**
- **No reduction in the FERS annuity for being under age 55, unless you have a CSRS Component. The CSRS component will be reduced by 2% per year for each year under age 55**



FERS

Special Provision for Military Reserve Technicians (MRT)

(Dual Status)

- **Special Provision for Involuntary Separation from Military membership**
 - Not due to misconduct or delinquency
- **Age and service requirements are based on the date when first hired in a covered position (if hired on or before 10 FEB 1996, or after; see handout)**
- **The Special Annuity Supplement is payable up to age 62**
 - Earnings test will apply from MRA until age 62
 - Earnings amount mirrors social security rules
- **Unique to FERS**
- **No age reduction**



FERS

Special Provision for Military Reserve Technicians (MRT)

(Dual Status)

If first hired on or before 10 Feb 1996

- **Age 50 with 25 years of creditable federal service allows for immediate supplement payment**
- **Federal service includes all other service deemed creditable under FERS to include prior Title 10 military service with completed deposits**



FERS

Special Provision for Military Reserve Technicians (MRT)

(Dual Status)

If first hired after 10 Feb 1996

- Age 50 with 20 years of creditable **“military technician”** service, ***or*** any age with 25 years of creditable **“military technician”** service
- Other service creditable under FERS and prior Title 10 military deposit service **cannot** be used to achieve the **“minimum” military technician** years of service for **eligibility** purposes



Deferred Retirement

- **Employee separates before reaching eligibility for immediate annuity**
- **Retirement contributions remain in the retirement fund**
- **Loses entitlement to benefits permanently (FEHB/FEGLI)**
- **May apply for annuity when eligible**
- **Deferred retirements NEVER qualify for the special annuity supplement**



Deferred Retirement

**Minimum
Age:**

MRA

**Minimum Years
of Service (YOS):**

10- 29 yrs.

- **Reduction is 5% for each full year under age 62**
- **If over 20 YOS you may draw at age 60 w/o reduction for age**
- **No provision to allow reinstatement of FEHB or FEGLI**
- **Survivor Benefit is available.**



Deferred Retirement

(Unreduced)

Minimum

Age:

60

62

Minimum Years

of Service:

20

5



OPM's Definition of Disability

- You must have a physical or mental impairment that renders you incapable of performing the duties of your last-held position, **AND**
- Your agency must certify they are unable to make a reasonable accommodation (a job at the same pay or grade level, within the same commuting area, and one in which you can be expected to perform useful and efficient service), **AND**
- Your disabling condition should be medically expected to last for at least one year



FERS - Disability Retirement

Minimum Age:

Any

Minimum Service:

18 months

FERS employees must apply for Social Security disability benefits at the time they apply for the OPM disability benefits



FERS - Disability Retirement Special NG Retirement Provision (PL 97-253)

Military Reserve Technicians

- Public Law 97-253 for Military Reserve Technicians
- May be eligible for disability retirement **without** meeting eligibility requirements for regular disability retirement when the technician has at least 18 months of service, **and**
- Suffers from a disabling condition that medically disqualifies them for military membership



FERS - Disability Retirement Special NG Retirement Provision (PL 97-253)

****IMPORTANT NOTE****

- If the technician is also eligible for a Military Reserve Technician (MRT) retirement and OPM disapproves the disability application under FERS “regular” provisions, then the technician is **NOT** eligible for a disability retirement under the special provisions of PL 97-253
- The reason is that a MRT is an involuntary retirement due to the loss of military membership with an immediate retirement annuity and immediate FERS special annuity supplement



“CSRS Offset”

If you transferred to FERS with at least 5 years of civilian service creditable under CSRS, part of your annuity will be computed under CSRS rules, this 5 years or more is known as the CSRS Component



“CSRS Offset”

CSRS Component
Plus
FERS Component
Equals
Total Basic Annuity



Commencement Date for Annuities

- **FERS Voluntary / Early Voluntary retirements:**
Annuities commences the 1st day of month following the month of separation
- **Discontinued Service / MRT Retirements:** Begins on the day after separation
- **Disability Retirements:** Begins after the last day of pay



FERS

Annuity Computations





Elements of the Annuity

There are two components

- **Length of / or Amount of Creditable Service for Retirement Purposes**
- **High Three Average Salary**



First Component - Creditable Service

- **Total years of service that is deemed creditable for retirement calculation purposes**
- **May include civilian service, active duty military service, and unused sick leave**
- **Annuity is calculated using only whole years and months of service; fractional parts of a month or individual days are not used**



Types of Potentially Creditable Service

- **LWOP - personal** (up to 6 months per year)
- **Worker's Compensation time**
- **Part-time Service** (not temporary service)
- **Intermittent Service**
- **Breaks in service of up to 3 days**
- **Temporary or Non-Deduction service, if performed before 1 Jan 1989** (with deposit)
- **Title 10 Active Duty / "Qualified" title 32** (with deposit)



Creditable Service

EXAMPLE:

Civilian	28 years,	1 mos.,	03 days
Military	04 years	2 mos.,	06 days
<hr/>			
Equals	32 years,	3 mos.,	09 days
Equals	32 years,	3 mos.	XXXXXX



NON-Deduction Service

Any period of creditable civilian service during which retirement deductions were **not taken from base pay**

- **Temporary Service**
- **FICA Only Service**



FERS Credit For NON-Deduction Service (Con't)

Civilian Service Performed prior to 1/1/89:

- If deposit is not paid, service is not creditable for retirement eligibility or computation of annuity
- If deposit is paid, service is creditable for retirement eligibility and computation of annuity



FERS Credit For NON-Deduction Service (Con't)

Deposit Calculation:

- Amount due will be equal to 1.3% of the basic pay earned in non-deduction employment, plus interest
- Interest rate charged is determined by when the non-deduction service was performed



FERS- credit for NON-Deduction Service

Civilian Service performed on/or after 1/1/89:

- **No retirement credit is allowed for non-deduction service performed on or after this date**
- **There is no deposit option**



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Refunded Service

Any period of creditable **civilian service for which retirement deductions were withheld from base pay, and then later refunded to an employee upon separation from Federal employment**



FERS

Refunded Service

- Receiving a refund of FERS retirement contributions will result in the loss of credit for retirement purposes
- Refunded service is still creditable for Leave
- There is now an option to make a redeposit
- The amount owed is 1.3% of basic pay, plus interest



FERS Credit for POST-56 Military Deposits

Post-56 military service is **not** creditable for retirement purposes under FERS **unless** the Military Service Deposit is completed **prior** to separating the agency



Estimated COST for Post-56 Military Deposit

Deposit Calculation:

- **Service prior to 1999 equals 3% of base pay earned plus interest if applicable – *Before Technician Service***
- **Service performed during 1999 equals 3.25% of base pay earned plus interest if applicable – *Before Technician Service***
- **Interest rate charged is determined by when the non-deduction service was performed and accrues in the 3rd anniversary year of the interest accrual date (IAD)**
- **If service falls under provisions of USERRA (During Technician Service) the deposit is the lesser of the applicable base pay percentage or the amount of FERS contributions you would have paid**
- **Deposit Cost Estimate Calculator available on DFAS website at:**
 - <http://www.dfas.mil/civilianemployees/militaryservice/militaryservicedeposits.html>



Military Earnings Deposit

- Complete Form RI 20-97 *Estimated Earnings During Military Service*; send to the appropriate branch of service (addresses are on the ABC-C website). Include supporting documents (i.e.. DD 214s or orders)
- Upon receipt of estimated earnings from DFAS, complete SF 3108 page 1 and SF 3108A attach DD 214 and RI-2097 and forward to the ABC-C.
- The ABC-C will calculate an estimate of the deposit owed and forward to DFAS.
- DFAS will finalize the amount owed and advise you of payment options. Payments are made by payroll deduction , lump sum payment by check directly to DFAS-Cleveland or online through the new pay.gov option.
- Ensure “Payment In Full” notice is filed in OPF.

More information is available on the ABC-C website at
<https://www.abc.army.mil/retirements/retire.htm>



FERS Credit For Unused Sick Leave

- Does not qualify towards minimum service requirements or eligibility requirements
- Added on top of creditable time for calculation purposes
- **100%** creditable service effective 1 Jan 2014 (refer to conversion chart)
- Employees with a vested CSRS benefit will receive credit for unused sick leave in the CSRS component of the annuity computation, subject to certain limitations

Chart 2. -- Sick Leave Chart 2087 Hours

Chart for Converting Hours of Unused Sick Leave to Months and Days (See section 50A2.1-3G).

DAYS	1 Day	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7 Months	8 Months	9 Months	10 Months	11 Months
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	41	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1130	1304	1478	1652	1826	2000
16	93	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	99	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	146	319	493	667	841	1015	1188	1362	1536	1710	1884	2058
26	151	325	499	672	846	1020	1194	1368	1542	1716	1890	2064
27	157	330	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1901	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081



Payment for Unused Annual Leave

- You will receive a lump-sum payment for any unused annual leave
- Payment is made at your current hourly rate
- Payment is taxable in the year in which it is received
- If you retire before a new leave year begins, you'll receive payment for your maximum carry-over and any “use or lose” leave
- Annual leave **may not** be used as terminal leave upon retirement except under special circumstances if required to meet eligibility due to an involuntary separation



Second Component - High 3 Average Salary

- **Highest rate of basic pay in effect over any 3 consecutive years of service**
- **Usually the last three years of salary, but it may be from a prior period of service where salary was higher than last 3 years worked**



High 3 Average Salary

Included in Basic Pay:

- **Locality pay**
- **Special pay rates**
- **Temporary promotions**
- **Night differential for WG employees**



High 3 Average Salary

Not included in Basic Pay:

- **Overtime Pay**
- **Holiday Pay**
- **Cash Awards and Bonuses**
- **Military Pay**



FERS Annuity Formula

(1.0% X Years & Months of service) X High-3

**20 years of Service
\$60,000 High-three
Retiring before age 62**

(1% X 20 years) X \$60,000 = \$12,000

***1.1% if NDS Civilian retiring at age 62 or later with at least 20 years of service**



FERS

Special Annuity Supplement (SAS) Computations





FERS Special Annuity Supplement

- Payable up to age 62 when you retire on a voluntary immediate, unreduced annuity (MRA with 30 or 60 with 20)
- Payable **at** MRA if you take early retirement (Early-out, DSR)
- Payable **immediately** if qualified under the special provision for military reserve technicians
- Not eligible for it if retiring on a deferred or reduced annuity such as an “MRA +10”
- Not eligible for or payable in a disability annuity



FERS Special Annuity Supplement

- Supplement stops at age 62
- Fully taxed and is not increased for cost of living
- The Supplement is subject to an earnings test in any year your earned wages exceed the annual exempt amount **(currently \$15,720 for 2015)**
- Earnings test does NOT apply to MRT rule **until** reaching your MRA



FERS Special Annuity Supplement

General Formula used to calculate the retirement supplement:

Age 62 Social Security Benefit

X

(# of Years of FERS Service / Divided by 40)

=

Benefit



FERS Special Annuity Supplement

General Formula used to calculate the retirement supplement:

Example:

25 Years of FERS service

5 Years of Military Service

Social Security at age 62: \$1,334

$(25 / 40) \times \$1,334 = \833.75 per month

or

$.625 \times \$1,334 = \833.75 per month

(\$10,005.00 Annually)

***Military service is not included**



FERS Special Annuity Supplement (SAS)

Current Year (2015) Earnings Test: \$15,720

Example #1

Post Retirement Job	Annual SAS
\$10,000	\$10,000

Earned Income = \$10,000

SAS = \$10,000

Income is below the earnings test so there's no impact to the SAS



FERS Special Annuity Supplement (SAS)

Current Year (2015) Earnings Test: \$15,720

Example #2

Post Retirement Job	Annual SAS
\$10,000	\$10,000
\$20,000	\$7,860

Earned Income = \$20,000

SAS = \$10,000

$\$20,000 - \$15,720 = \$4,280$ over the limit

SAS is reduced by \$1 for every \$2 over the limit

$\$4,280 / 2 = \$2,140$

The reduced SAS is: $\$10,000 - \$2,140 = \$7,860$



FERS Special Annuity Supplement

Simple formula used to calculate when the supplement will be offset to zero:

(Special Annuity Supplement Amount X 2)

+

Current Years Earnings Test



FERS Special Annuity Supplement (SAS)

Current Year (2015) Earnings Test: \$15,720

Example #3

Post Retirement Job	Annual SAS
\$10,000	\$10,000
\$20,000	\$7,860
\$35,720	\$0

Earned Income = \$35,720

SAS = \$10,000

$\$35,720 - \$15,720 = \$20,000$ over the limit

SAS is reduced by \$1 for every \$2 over the limit

$\$20,000 / 2 = \$10,000$

The reduced SAS is: $\$10,000 - \$10,000 = \$0$



FERS - Cost of Living Adjustments (COLAs)

FERS annuities are generally not indexed for cost of living until age 62

**The Exceptions:
Disability Annuitants
Survivor Beneficiaries**



FERS - Cost of Living Adjustments (COLAs)

If increase
in CPI is:

2% or less

2% to 3%

Above 3%

The amount
of COLA is:

Equal to increase

2%

CPI minus 1%



FERS

Disability Benefits

Computation of Disability Benefits



FERS

Disability Benefits

The first year :

You will receive **60%** of your high-3 average salary, **minus 100%** of any Social Security disability benefit that is payable

The second year until age 62 :

You will receive **40%** of your high-3 average salary, **minus 60%** of any Social Security disability benefit that is payable



FERS

Disability Benefits

At age 62:

- The annuity is recomputed using the FERS formula (1% X High-3 average salary times X years of service)
- Your original high-three average salary will be adjusted by all COLAs received up to age 62
- You will receive service credit for the time you have been on the disability rolls



Obtaining a Retirement Estimate

- Requesting an estimate of your retirement annuity is an important part of preparing for retirement.
- If you are within a five year tentative window of eligibility for a retirement, you may request an estimate.
- ABC-C will compute one retirement estimate per year. You must have an EBIS account established to proceed with the request.
- This retirement estimate will include:
 - Verification of your military and civilian service that has been documented in your Official Personnel Folder (OPF).
 - Calculation of the amount of civilian deposit and/or redeposit owed.
 - The impact of unpaid civilian deposit or redeposit and military deposit on your retirement annuity.
 - Confirmation of your current FEHB and FEGLI enrollment and your eligibility to continue these benefits into retirement.



Obtaining a Retirement Estimate

- Requesting an estimate from ABC-C by utilizing the Automated Telephone System:
- Dial 1-877-276-9287
- Select #3 for National Guard
- Briefly explain your current scenario and request an estimate.
- The estimate is usually received by mail at your HOR address in 2-3 weeks
- ABC-C can provide a retirement estimate annually upon request as long as you're within a five year window of a potential retirement



Obtaining a Retirement Estimate

- Requesting an estimate from ABC-C through HR Link available in EBIS:
 - Log into your EBIS account
 - Click on the HR Link button at the top of the page
 - You will be asked to answer some questions to ensure your estimate fits your needs
 - Provide an email address. This is to send you a notification upon completion
- ABC-C will review your Official Personnel Folder and complete your estimate.
- You will receive an email notification that it has been completed.
- You will then log back into your EBIS account and download the completed estimate.



Obtaining a Retirement Estimate

- You can also create your own estimate utilizing the calculator available in EBIS:
- After logging into your EBIS account click on the calculator button.
- You can then choose between a quick retirement estimate or an advanced retirement estimate.
 - Quick estimate - allows you to select the type of retirement (voluntary, early, or deferred), date of retirement, and enter a high-3 average salary.
 - Advanced estimate - allows you to create different scenarios by adjusting your final salary and high-3 average salary, final sick leave balance, survivor benefit election, and your health insurance and life insurance options.
- This calculation method is dependent on the information entered for accuracy.
- Individuals Leave SCD is used to calculate retirement. This may result in time not creditable for retirement being included.
- If you have unpaid deposits, re-deposit's, part time service or other unusual circumstances the estimate should be requested through an ABC-C benefits counselor .



FERS

Federal Employee's Survivor Benefits



FERS

Death In-Service

Potential Eligible Survivors Include:

- **Your spouse**
- **A former spouse with a court-ordered entitlement**
- **Your children**



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Death In-Service

Surviving Spouse's Eligibility Requirements:

- Married to deceased employee at least 9 months, or
- Employee's death was accidental, or
- There is a child born of the marriage



FERS

Death In-Service

Length of Service:

Benefits Payable:

18 mos. up to 10 yrs.....

Lump sum payment of
\$32,326.58 (2015), **PLUS**

Lump sum = the *higher* of:

- 1/2 of annual pay, or
- 1/2 of high-3 salary

10yrs or more.....

All the above, **PLUS**
a survivor annuity = 50% of the
earned annuity as of the date
of death



FERS

Lump-Sum Payment

Lump sum payment of retirement contributions is paid in accordance with the standard order of precedence, in the absence of an eligible spouse, former spouse or child entitled to a survivor annuity.



FERS

Survivor Benefits

At retirement:

3 election options for **spousal survivor benefits:**

- **No survivor benefit**
- **Maximum survivor benefits**
- **Partial survivor benefits**



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Survivor Benefits

- You may designate a maximum, partial or **NO** survivor annuity at retirement for spouse/former spouse
- Designating anything **less than** the maximum survivor annuity will require that you obtain the spouse's notarized written **consent**



FERS

Survivor Benefits

The cost to provide the survivor benefit is calculated as follows:

- **10%** of the retirees base annuity will provide a maximum benefit of **50%** to survivor

Or

- **5%** of the retirees base annuity to provide a partial benefit of **25%** to survivor



FERS

Cost for Survivor Benefits

Example using \$15,000 as the retiree's annuity(Base):

10% of Base (\$15,000) = \$1,500

The Cost is: $\$1500 / 12 = \$ 125$ per month

The retirees annuity is reduced to: \$13,500

Maximum survivor benefit (50% of base) = \$7500

$\$7500 / 12$ mos. = \$625 per month for survivor



Insurable Interest Survivor Benefit

Those presumed to have an insurable interest relationship with you include:

- **Current spouse**
- **Blood or adoptive relative closer than 1st cousin**
- **Former spouse**
- **Person to whom you are engaged**
- **Person with whom you are living in a common-law relationship**



Making Changes to Survivor Elections

- **Changes can be made without penalty within 30 days of receipt of the first regular annuity check. If the change requires spousal consent, it must be obtained**
- **Within 18 months of the commencing date of the annuity, a survivor election may be added or increased**
- **If the annuitant marries after retirement, a new survivor election may be made within 2 years of the date of marriage**
- **If your spouse predeceases you, your annuity will be restored to full payments prospectively upon contacting OPM to report the death**



Termination of Survivor Benefits

- A spouse's **future entitlement** to a survivor benefit is terminated by divorce, unless a court order awards survivor benefits
- Surviving **current** spouses who remarry prior to age 55 will lose entitlement to the survivor benefit, unless the marriage had lasted at least 30 years
- Survivor benefit may be restored if the *new* marriage ends by death, divorce or annulment
- Surviving **former** spouses who remarry prior to age 55 will permanently lose the survivor benefit
- If your spouse pre-deceases you, OPM will restore the annuity to full payments upon notification of the death



FERS

Children's Survivors Benefits

A monthly survivor benefit is payable to eligible children upon the death of an employee or retiree

Eligible Children Must Be:

- Unmarried
- Dependent of the retiree (or employee) at the time of death
- Under age 18, or
- Under age 22 if a full-time student, or
- A disabled child who is incapable of self-support and whose disability occurred prior to age 18



FERS

Children's Survivors Benefits

Single Orphan Rate: (2015 Rate)

When the child has a living parent who was married to the employee or retiree, the smaller of the 2 following amounts will be paid:

- \$511 per month per child, or
- \$1,532 divided between the number of eligible children



FERS

Children's Survivors Benefits

Double Orphan Rate: (2015 Rate)

When the child does not have a living parent who was married to the employee or retiree, the smaller of the 2 following amounts will be paid:

- \$613 per month per child, or
- \$1,838 divided between the number of eligible children



FERS

Thrift Savings Plan (TSP)





Thrift Savings Plan

- **TSP Basic Highlights**
- **TSP Tax Benefits**
 - Tax Deferred
 - Roth TSP
- **Contribution Elections**
 - Uniformed / Civilian (FERS)
 - Catch up / Make up
 - Transfers into TSP
 - Allocation / inter-fund transfers
- **Investment Options**
- **Accessing your TSP Funds**
 - In-Service Options
 - Post-Service Options
- **Death Benefits**
- **Court Ordered Payments**



Thrift Savings Plan Highlights

- **RETIREMENT** savings & investment program that provides a choice for the tax treatment of contributions
 - Temporary employees are not eligible but may still contribute to the Uniform TSP
- Traditional (pre-tax) contributions and investment earnings are tax deferred
- Roth (after tax) contributions – investment earnings are tax exempt
- Provides an opportunity for you to increase your retirement savings and income
- Return is based on type of investment
- Start, change, or stop contributions at any time
 - Civilian Federal Employees (Technicians) - through Employee Benefits Information System (EBIS)
 - Traditional Guardsmen through “MyPay”



TSP Tax Benefits

- **Traditional TSP participant contributions are Tax Deferred**
- **Contributions are payroll deducted from the gross bi-weekly salary directly deposited into your TSP account**
- **Federal taxes are then computed and withheld based against the reduced gross amount**
- **Taxes are deferred until a withdrawal of the account is made**



TSP- Example of Deferred Tax Benefit

Bi-weekly Basic Pay (gross)	\$1,470.00
TSP Election: (% or \$)	X 10%
TSP contribution :	<hr/> \$147.00
Basis for Federal Tax Withholding	\$1,470.00
TSP payroll deducted	- \$147.00
Taxable Income:	<hr/> \$1,323.00
Annual Income Earned:	\$38,220.00
TSP Contributions (26 X \$147.00):	- \$3,822.00
Taxable Annual Income :	<hr/> \$34,398.00



Roth TSP - Implementation

**To Roth Or Not To Roth -
That Is The Question**

?

Things To Consider



Roth TSP - Implementation

- **Allows participant to designate all or a portion of their contributions through payroll deduction to be contributed as post-tax Roth or pre-tax deferred**
 - **Roth contributions may accrue federally tax-free earnings**
 - **Tax deferred contributions continue to accrue tax deferred earnings**
 - **Agency contributions will continue to be part of your traditional (non-Roth) balance**
- **Roth designation is made at agency payroll level prior to the contributions being deposited into the TSP**



Tax-Advantaged Savings

Do you need the benefit now . . . ?

- Mike makes tax-deferred contributions

Gross Income	\$40,000
Minus TSP contributions <u>-\$2,000</u>	
Adjusted income	\$38,000
Minus estimated federal <u>\$5,363*</u>	
Income tax	
Spendable income	<u>\$32,637</u>

- Ike makes after tax Roth contributions

Gross Income	\$40,000
Minus estimated federal <u>-\$5,863*</u>	
Income tax	
After tax income	\$34,137
Minus savings <u>-\$2,000</u>	
Spendable income	<u>\$32,137</u>

By contributing before-tax money to the TSP, Mike reduces his taxes and has about \$500 more to cover everyday Expenses

*IRS Publication 2014 Inst 1040; filing as single

As of Jan 26, 2015



Tax-Advantaged Savings Or Do you need the benefit later . . . ?

When Mike and Ike withdraw their balance:

- Mike's tax-deferred contributions and earnings will be subject to income tax

Future value of \$2,000* \$8,077
Minus estimated federal \$808
Income tax**

Spendable income \$7,269

- Ike's Roth contributions and earnings may be withdrawn tax-free

Future value of \$2,000* \$8,077
Minus estimated federal -\$0
Income tax

Spendable income \$8,077

In exchange for paying taxes up front and adhering to the Roth qualified distribution rules,
Ike has about \$808 more to spend in retirement

*assumes 20 years of compound growth and 7% annual rate of return

**assumes same effective tax rate as previous slide

As of February 1, 2012



Traditional TSP vs. Roth TSP

The Treatment of:	Traditional TSP	Roth TSP
Contribution	Pre-Tax	After Tax
Your Paycheck	<i>Taxes are deferred</i> , so less money is taken out of your paycheck	<i>Taxes are paid up front</i> , so more money comes out of your paycheck
Transfers In	<i>Transfers</i> allowed from eligible employer plans and traditional IRAs	<i>Transfers</i> allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
Transfers Out	<i>Transfers</i> allowed to eligible employer plans, traditional IRAs, and Roth IRAs	<i>Transfers</i> allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs
Withdrawals	<i>Taxable</i> when withdrawn	<i>Tax-free</i> earnings if five years have passed since January 1 of the year you made your first Roth contribution, AND you are age 59½ or older, permanently disabled, or deceased



Roth IRA vs. Roth TSP

	Roth IRA	Roth TSP
Income limits	Not available to taxpayers with Adjusted Gross Income above certain limits. Reduced levels are: Married Filing Jointly - \$183,000 to \$193,000 Married Filing Single - \$0 to \$10,000 All others - \$116,000 to \$131,000	Available to all participants regardless of income
Contribution limits	\$5,500 (\$6,500 if at least 50 years of age)*	\$18,000 (plus an additional \$6,000 if at least 50 years of age)*
Minimum distributions	Not subject to RMDs until the IRA owner dies	Roth contributions are treated the same as other elective deferrals with respect to RMDs
Rollover rules	May NOT be rolled into a Roth 401(k); a Roth IRA can only be rolled into another Roth IRA	Can be rolled into another Roth 401(k) OR a Roth IRA



TSP Contributions and matching capabilities

Employee Contributes:	Agency Automatic Contribution:	Agency Matching:	Total Contributions:
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Employee's + 5%



TSP Employee Contribution Example

Bi-weekly Basic Pay (\$25.00 ph gross)	\$2000.00
TSP Election: 5%	<u>\$100.00</u>
*1% Agency (LES = TSP basic)	\$20.00
*4 % Agency Match (LES = TSP Matching)	\$80.00
	<u>\$100.00</u>
<u>**FREE MONEY**</u>	

Each pay total contribution: \$ 200.00

***Agency contribution and match is calculated against bi-weekly gross pay.**



TSP Contribution Elections

- **Agency Contribution - 1% of the “gross amount” of bi-wkly pay**
 - **NOT** based on employee contribution
 - Subject to **3 year vesting**
- **Employee Contribution - Eligible to contribute at hire date**
 - Contribution amount may not exceed the total annual elective deferral limit
- **Newly hired technicians are automatically enrolled at 3%**
 - You may opt out or discontinue contributions
- **Employee Contributions and Agency matching contributions are NOT subject to vesting requirement**



TSP Contribution Elections

- Form TSP-1 civilian or TSP-U-1 for uniformed accounts
- Participants may elect to start, stop, change, or resume contributions at any time
- **A CHANGE:** Now Self Service – *Employee Benefits Information System (EBIS)*
 - Elections must be expressed in whole dollars or a whole percentage
- The election is effective the first full pay period after it's input
- 50 yrs. or older are eligible for Catch-up contributions in addition to the annual elective deferral limit



Maximum Annual Contributions

- **You can Contribute:**
 - **Up to 100% of basic pay – may meet limits too fast and cost matching contributions!**
 - **subject to the IRS Code annual limits**
 - **Sec 402(g), elective deferral limit (\$18,000 for 2015)**
 - **Sec 415(c), annual additions limit (\$53,000 for 2015)**
- **Combat Zone Tax Exempt (CZTE) contributions**
 - **Maximum Combat Zone tax exemption for enlisted and WO is up to 100% of pay**
 - **Maximum Combat Zone Tax Exemption for officers is limited to the highest rate of enlisted pay. (\$7,816.20 per month for 2014)**



Maximum Annual Contributions

ELECTIVE DEFERRAL LIMIT:

Year:

Annual Limit:

2015

\$18,000

Approximately \$692.30 per pay period for 26 pay periods



Employees in a Non-Pay Status

- **Employees in a non-pay status may not contribute to TSP; agency automatic and matching contributions will also stop (If on Absent-US employee may enroll or contribute in uniformed service TSP)**
- **Employees cannot obtain a loan while in a non-pay status**
- **Employees MAY change contribution election, make inter-fund transfer or make an in-service withdrawal**
- **Employees who return to pay status cannot make up contributions for periods of non-pay (Exception for USERRA)**



Deployments and Military Duty

- **USERRA**
 - **Uniformed Services Employment Reemployment Rights Act**
 - **Entitles Fed employees during ABSENT-US:**
 - **Make-up missed Contributions**
 - **Request the Agency Contribution**
 - **Request the Agency Match (up to 4%)**
 - **Make up Payments**
 - **Installments or Lump sum**
 - **Uniformed TSP contributions**

***Must have all active duty Military LESs / Must request through HRO upon RTD**



Make-Up Contributions

- **Make-up contributions are subject to the limit for the year they should have been made-they do not count against the current year's limit**
- **In the event a person exceeds the IRS maximum contribution TSP will refund the excess contributions when the overage occurs (Uniform TSP is first if applicable)**



TSP

Catch-up Contributions

- Available to TSP participants in January of the year they reach **age 50**
- Additional contributions are a supplement to regular employee contributions and are in addition to the annual elective deferral limits
- Must be in a pay status and contributing the maximum in regular elective contributions to your TSP account
- Catch-up contributions are **NOT** matched
- Contributions are made using Form TSP-1-C or EBIS
- Must be initiated every year in a whole dollar amount - doesn't carry over to next year



Catch-up Contributions Limits

May begin contributions in the **YEAR** you turn 50

Annual Contribution Limit

$$2015^* = \$6,000$$

Possible Total Annual Deferred Contribution

$$\$18,000 + \$6,000 = \$24,000$$

(Regular + catch-up)

(Note: uniform services in a combat zone: $\$53,000 + \$6,000 = \$59,000$)

***subject to increases to reflect inflation**



Transfers and Rollovers into the TSP

- Active or separated participants may transfer or rollover into their TSP using money from:
 - Eligible employer plans under the Internal Revenue Code (IRC)
 - e.g. 401(k), 403(a), 403(b) or 457(b) governmental plans
 - Traditional and SEP individual retirement accounts or annuities (IRAs) under section 408(a) or 408(b) of the IRC
 - **Does not include Roth, SIMPLE, education, or inherited IRAs**
- Submit Form TSP-60/TSP-U-60 available from the TSP website
- The amount transferred or rolled over into the TSP account is allocated according to the current contribution allocation on file



Allocation and Inter-fund Transfer (IFT)

Allocation

vs.

Inter-fund Transfer

- **Identify** which funds you want your contribution deposited
- Allocate future contributions
- Changes of an allocation is generally effective as of close of business each day based on 12 noon ET cutoff
- Change thru Thrift line or web
- Confirmation via email

- Move a portion or all of a balance between Funds
- **Two IFT per month-** after that you can move ONLY to the “G” fund.
- Changes for IFT are generally effective as of close of business each day based on 12 noon ET cutoff
- Thrift Line, or Web site
- Confirmation via email

Allocation and Inter-fund Transfer request are submitted by the individual through the TSP Thrift line at 1-877-968-3778 or on the TSP website at www.tsp.gov



TSP Investment Options

The TSP offers participants two different approaches to investing money:

- **Individual Funds:**

- **(G, F, C, S & I Funds)**

- **Lifecycle Funds:**

- **Invested automatically in a mixture of the above funds based on a time horizon or target retirement date**

Investment Considerations

Time Horizon



Risk Tolerance

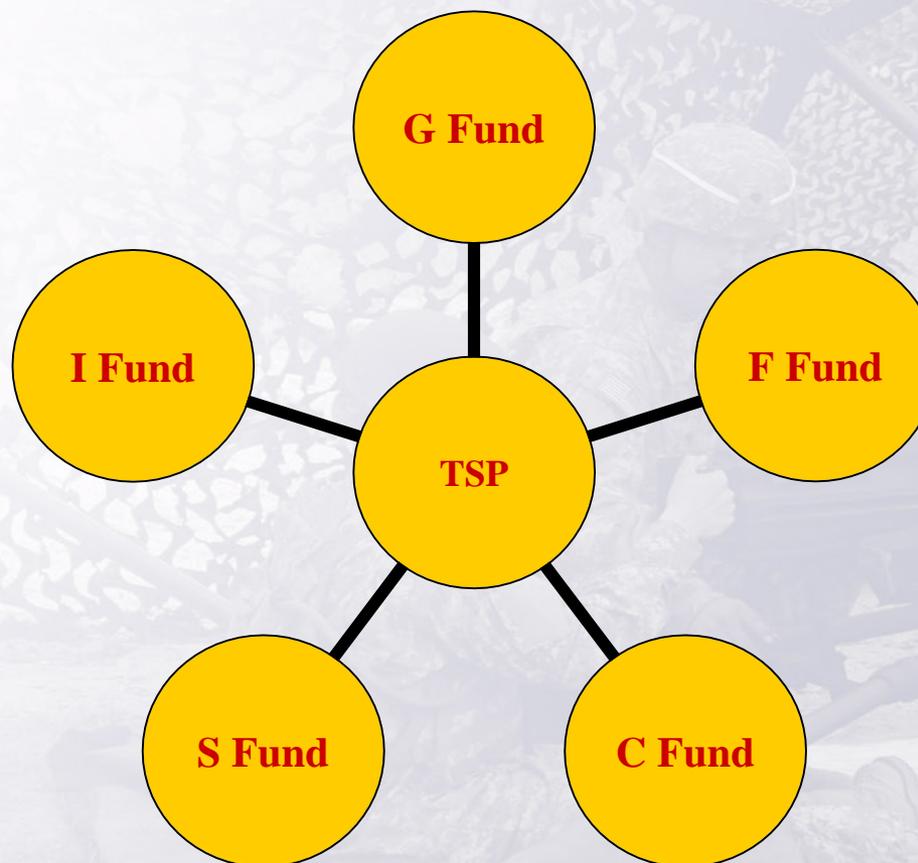


Diversification





Diversification Within TSP





TSP G FUND

Government Securities Investment Fund

- Invested in short-term non-marketable Treasury securities
- Investments are **not** subject to Credit Risk or Market Risk
- Rates of return may be lower than those of other TSP funds over the long term
- Low Risk



TSP F FUND

Fixed Income Index Investment Fund

- **Government, corporate and mortgage backed bonds**
- **Invested in bond index fund that tracks Barclays Capital U.S. Aggregate bond index**
- **Offers opportunity for increased rates of return relative to the G Fund over the long term**
- **This fund carries credit and market risk, and has potential for negative rates of return**
- **Low to moderate risk**



TSP C FUND

Common Stock Index Investment Fund

- **Contains common stocks of large and medium sized companies that represent the U.S. stock markets**
- **To Match the performance of the Standard and Poor's 500 (S&P) index**
- **Offers opportunity to diversify investments and to earn the relatively high return stocks can provide over the long term**
- **The total dollar value of the stocks in the S&P 500 makes up approximately 75% of the value of the U.S. stock markets**
- **Effect of poor performance of individual stock or industry is lessened**
- **Total C Fund return could be negative, resulting in a loss**
- **Moderate Risk**



TSP S FUND

Small Capitalization Stock Index Fund

- **Small to Medium Sized U.S. Companies, not included in the C fund**
- **To Match the performance of the Dow Jones U.S. Completion Index**
- **S Fund investments are expected to be more volatile in the short run than C Fund investments and may have potentially higher returns**
- **Moderate to High Risk**



TSP I FUND

International Stock Index Investment Fund

- **International Stocks of more than 20 developed countries**
- **Invested in stock index fund that tracks the Morgan Stanley Capital International EAFE (Europe, Australia and Far East) index**
- **Returns tend to fluctuate more than S&P 500 or Dow Jones TSM Index returns**
- **Investment are subject to both market and exchange rates**
- **I Fund investments are expected to be more volatile in the short run than C or S Fund investments**
- **Moderate to High Risk**



Lifecycle Funds

- **The Lifecycle Funds are a series of funds that use all of the individual TSP funds to create a portfolio based on the expected date for withdrawing the money**
- **Funds will automatically “rebalance” investments based on returns of the individual funds and your time horizon**
- **Subject to the risks of the individual funds but the total risk is reduced through diversification**
- **Lifecycle Funds became available in 2005**



Lifecycle Funds

- **Only the five existing TSP Funds will be used**
- **Funds with longer time horizons will be invested primarily in equities (C, S and I Funds)**
- **Income Fund will largely, but not entirely be invested in fixed income (G and F Funds)**
- **Over time, as target date nears, fund allocations will move toward fixed income to reduce “risk”**



Lifecycle Funds

There are 5 Lifecycle Funds

FUND	TIME HORIZON	GROWTH	RISK	Preservation of Assets
L Income	Today and the near future	Low	Low	High
L 2020	2015 through 2024	Moderate	Moderate	Moderate
L 2030	2025 through 2034	Moderate to High	High	Low
L 2040	2035 through 2044	High	High	Low
L 2050	2045 or Later	High	High	Very Low



Lifecycle Funds

Percentage Allocations

(as of Apr 2015)

FUND	G	F	C	S	I
L Income	74.00%	6.00%	12.00%	3.00%	5.00%
L 2020	44.15%	5.48%	27.17%	8.10%	15.10%
L 2030	28.83%	5.92%	34.10%	12.10%	19.05%
L 2040	18.78%	5.97%	38.10%	16.05%	21.10%
L 2050	10.08%	4.67%	42.10%	18.05%	25.10%



Accessing Your TSP Funds

- **In Service Options**
 - **TSP Loan Program**
 - **Age Based Withdrawal**
 - **Financial Hardship Withdrawal**
- **Post Service Options**
 - **Withdrawal(s)**
 - **Annuities**
 - **Rollovers or Transfers**



TSP Loan Program

- **Must be a current employee in a paid status; retirees may not obtain a loan**
- **Must have at least \$1,000 of own contributions and earnings**
- **Loan Amounts**
 - **Minimum \$1,000** - **Maximum \$50,000 – IRS Limit**
- **Payments made by payroll deduction. Additional payments or loan pay off may be made at any time (Coupons available online)**
- **Loan fee: \$50.00 for admin cost**
- **Two types of loans available**



TSP Loan Program

General Purpose Loans:

- May be used for any purpose
- Repayment is from 1 to 5 years
- No loan documentation is required

Residential Loans:

- Used for purchase of primary residence
- Repayment period is from 1 to 15 years
- Documentation is required to support the loan

***The Spouse of a married FERS employee must consent to the loan agreement**



Types of *In-Service* Withdrawal Options

Age-Based in-service withdrawal

- Available to employees who are age 59 ½ or older
- May make a one-time withdrawal of all or any portion of your **vested** account balance
- Minimum amount of withdrawal is \$1,000 or entire vested account balance, whichever is less



Types of *In-Service* Withdrawal Options

Financial Hardship in-service withdrawal

- Available to employed participants (regardless of age/ may have tax consequences) who demonstrate financial hardship
- May withdraw only your own contributions and attributable earnings
- Minimum withdrawal cannot be less than \$1,000
- No limit on the # of withdrawals, but there is a 6-month waiting period between applications
- During the 6-month waiting period, you **may not** make employee contributions; and FERS employees **will not** receive agency matching contributions



IN-SERVICE WITHDRAWALS

Tax Consequences

- **Taxable for Federal income tax purposes in the year in which received**
- **Subject to mandatory 20% Federal income tax withholding, which cannot be waived**
- **Financial hardship withdrawals taken under age 59 ½ are subject to early withdrawal penalty tax (10%)**



IN-SERVICE WITHDRAWALS

Spousal Consent

- **Married FERS employee must receive spousal consent prior to making an in-service withdrawal**
- **If a spouse's whereabouts are unknown, you may request a waiver using Form TSP-16**



Post Service Withdrawal Options

- **Take a one-time partial withdrawal from account**
- **Receive account balance in a single payment**
- **Transfer or Rollover account balance to an IRA**
- **Transfer or Rollover account balance to another qualified employer pension plan under the IRC**
- **Receive account balance in a series of monthly payments**
- **Purchase an annuity**
- **Elect any combination of the above to affect entire account balance**



THRIFT SAVINGS PLAN

Eligible Roll Over Distributions:

- **Single payment**
- **Age-based in-service withdrawals**
- **Automatic cash-outs**
- **Equal monthly payments to be paid out in less than 10 years (not using Life Expectancy Tables)**
- **Death benefits paid to the spouse of a deceased participant**

***These payments may be subject to a mandatory 20% tax withholding, which may be avoided on all or any portion of an eligible rollover distribution by having TSP make a direct transfer to an IRA or other eligible retirement plan.**

(see www.tsp.gov for roll over rules on ROTH)



TSP Post Service Options

Leaving Your Money In The TSP Account

As long as your vested balance is over \$200, you may leave your money in the plan until 1 April of the **later** of two dates:

Either:

- The year following the year you attain age 70 1/2

OR

- The year following the year you separate from Federal service
- Account continues to grow
- Interfund transfer options



Thrift Savings Plan

PERIODIC PAYMENTS:*

- Equal payments to be paid out in 10 years or more
- Equal payments computed by TSP using IRS Life Expectancy Tables
- Annuity payments

* Withholding is based on the assumption you are married claiming 3 allowances, unless you submit Form W-4P directing otherwise.



Thrift Savings Plan

NON-PERIODIC PAYMENTS: *

- **Financial hardship withdrawals**
- **Required minimum distribution payments after reaching age 70½**
- **Death benefits paid to a non-spouse beneficiary**
- **Court-ordered payments made to someone other than the spouse or former spouse, including child support**

*** TSP will withhold 10% from these payments, unless you submit Form W-4P directing otherwise.**



TSP Annuities

Single Life Annuities – 6 Options

Level Payments:

- With no additional features
- With Cash Refund feature
- With 10-year Certain feature

Increasing Payments:

- With no additional features
- With Cash Refund feature
- With 10-year Certain feature



TSP Annuities

Joint Life Annuity With Spouse – 8 Options

Level Payments:

- **100% survivor annuity**
- **50% survivor annuity**
- **100% survivor annuity with Cash Refund feature**
- **50% survivor annuity with Cash Refund feature**

Increasing Payments:

- **100% survivor annuity**
- **50% survivor annuity**
- **100% survivor annuity with Cash Refund feature**
- **50% survivor annuity with Cash Refund feature**



TSP Annuities

Joint Life Annuity With Other Survivor – 4 Options

Level Payments:

- **100% survivor annuity**
 - **50% survivor annuity**
 - **100% survivor annuity with Cash Refund feature**
 - **50% survivor annuity with Cash Refund feature**
- * The joint annuitant must have an “insurable interest” in you (be financially dependent on you and able to reasonably expect to derive financial benefit from your continued life).**



Thrift Savings Plan

EARLY WITHDRAWAL PENALTY TAX

- This tax is an additional 10% of the total amount directly received from TSP, unless payments are transferred or rolled over
- If you separate or retire **before** the year in which you turn **age 55**, the 10% penalty tax is applicable until you reach age **59 ½**
- If you separate or retire **during or after** the year in which you reach **age 55**, the 10% early withdrawal penalty no longer applies



THRIFT SAVINGS PLAN

Early Withdrawal Penalty Tax

Exceptions to the penalty include:

- Annuity payments
- Payments made because of death
- Payments to disability retirees (as defined by social security)
- Payments computed by TSP using Life Expectancy Tables
- Distributions used for payment of medical expenses that would be deductible under the Internal Revenue Code
- **NOTE for ROTH TSP: Becomes qualified or tax free upon meeting both of the following conditions:**
 - 5 years have passed since 1 January of the year you began contributions
 - You have reached age 59 ½ or have a permanent disability



Thrift Savings Plan

Death Benefits

- **Paid To Whom:**
 - **Based on TSP-3, Designation of Beneficiary**
 - **If there is no TSP-3 on file benefits will be paid in Statutory Order of Precedence**
- **How:**
 - **Use TSP-17, Information Regarding Deceased Participant**
 - **Paid as a Single Payment-subject to 20% Federal Tax**
 - **Spouse may establish a TSP account in his/her own name or transfer to an IRA or other eligible employer account (no taxes withheld)**



Court Ordered Payments

- **Amounts in the account are held in trust for the participant. TSP accounts are not subject to execution, levy, attachment, or other legal process (5 U.S.C. 8347(e)(2))**
- **Court ordered payments for divorce, alimony, child support, and child abuse are honored by the TSP (5 U.S.C. 8347(e)(3))**



Court Ordered Payments

- **The TSP will honor the following court orders:**
 - **Payment of child support**
 - **Matrimonial Settlement Agreement**
 - **Alimony**
 - **Civil cases involving child abuse**
 - **Victim Restoration Act**



Court Ordered Payments

- **Method of payment:**
 - **Cash payment to spouse/former spouse or attorney/child support authority**
 - **Spouse/former spouse payment subject to 20% Federal tax withholding**
 - **All or any portion may be transferred to:**
 - **IRA**
 - **Equivalent employer plan (401(k), 403(a) or 403(b))**
 - **If a TSP participant, his/her account**



Court Ordered Payments

- **Process:**
 - **Attorney reads TSP Booklet “Information about Court Orders”**
 - **A valid, complete court order is submitted to the TSP Service Office**
 - **Paralegal section reviews the order to ensure it is valid and TSP is able to pay**
 - **Invalid court orders are returned to submitter with copy of the booklet**



Court Ordered Payments

- **The process (continued)**
 - **If a complete, valid court order is received:**
 - **The account is placed on hold until the order is paid**
 - **The participant may not apply for or receive a loan or withdrawal until the payment is made**
 - **Court order notices are mailed to participant and payee**
 - **Spouse/former spouse given the opportunity to transfer payment to qualifying IRA**
 - **Participant given opportunity to waive tax with-holding on child support payment**



Court Ordered Payments

- **The process (continued):**
 - **Payment is made within 60 days of TSP mailing notice**
 - **Payee can request a payment within 31 days of TSP mailing the notice**
 - **Spouse/former spouse responsible for reporting amount paid as alimony or a matrimonial settlement**
 - **Participant responsible for reporting amount paid for child support (Amount may be subject to IRS early withdrawal penalty)**



TSP Contacts and References

- **THRIFTLINE – 1-877-968-3778
(TOLL FREE)**
- **THRIFT INVESTMENT BOARD – 202-942-1460**
- **FAX – 1-866-817-5023**



FERS

Federal Employees' Health Benefits (FEHB)





FEHB Plan Features

- **No waiting periods**
- **Choice of coverage**
- **Choice of plans and options**
- **Government contribution**
- **Premium Conversion (Only while employed)**
- **Same Annual Open Season**
- **Continued group coverage**
- **Tricare suspension option**



FEHB Coverage After Retirement

To be eligible to continue FEHB coverage into retirement you must:

- Be insured on the date of retirement
- Be eligible for an immediate annuity
- Have been enrolled (or covered as a family member) for 5 years immediately preceding retirement, or since your first opportunity to enroll
- Tri-Care during mobilization is considered federally sponsored insurance towards the five year requirement
 - Request a Certificate of Creditable Coverage from DEERS



FEHB Coverage for Surviving Family Members

For surviving family members to be eligible to continue FEHB coverage:

- **They must have been covered as a family member on the employee or retiree's date of death, AND**
- **At least one family member must be entitled to a survivor annuity**



Temporary Continuation of Coverage if ineligible for FEHB

TCC Benefits

- Provides up to 18 months additional coverage to employees/retirees after separation from Fed Service
- Provides up to 36 months additional coverage for family members upon loss of status as eligible family member
- Enrollee must pay the entire premium, plus a 2% admin fee



FEHB and Medicare

- If you are 65 or older and **still working**, FEHB is primary payer and Medicare is secondary
- If you are 65 or older and **no longer working**, Medicare is primary payer and FEHB is secondary



FEHB and TRICARE

- After retirement, you may choose to **suspend** your FEHB coverage to enroll in TRICARE or TRICARE for Life
- If you suspend FEHB coverage, you can opt back into FEHB during any open season



FEHB and Medicare

- You may choose to **suspend** your FEHB coverage to enroll in a Medicare managed care plan
- If you suspend FEHB coverage, you can always opt back in during any open season



TRICARE for Life (TFL)

- **To be eligible for TFL, you must enroll in Medicare Part B**
- **Provides expanded medical coverage for Medicare-eligible military retirees, family members, widow/widowers and certain former spouses**
- **When you become eligible for Medicare after retirement, Medicare is the primary payer, FEHB is secondary, and TFL pays third**



Federal Employees Dental and Vision Insurance Program (FEDVIP)

- Must be **eligible** for FEHB
- Can enroll in dental, vision or both
- Self Only, Self & Family, Self & One
- Pre-tax benefit (while employed)
- <https://www.benefeds.com/>

ENROLL AT

<https://www.benefeds.com>

1-877-888-3337

TTY 1-877-889-5680

Vision Benefits

Diagnostic Services
Preventative Services
Eyewear

- Glasses
- Contacts

Dental Benefits

Diagnostic
Preventative
Emergency Care
Restorative
Oral/Maxillofacial Surgery
Endodontics
Periodontics
Prosthodontics
Orthodontics



Flexible Spending Accounts (FSA)

To receive more information regarding FSAs, please contact a FSAFEDS Benefits counselor.

Retirees are **not** eligible to continue the use of a FSA.

Email: FSAFEDS@adp.com

Telephone: 1-877-FSAFEDS (1-877-372-3337)

TTY: 1-800-952-0450

- Mon-Fri 9 a.m. – 9 p.m. ET
- Closed Weekends and Holidays
- <http://www.fsafeds.com>



FERS

Federal Employees' Group Life Insurance (FEGLI)



Federal Employees' Group Life Insurance (FEGLI)

Basic FEGLI

**Option A
Standard**

**Option B
Additional**

**Option C
Family**



FEGLI Coverage After Retirement

To be eligible to continue FEGLI coverage into retirement you must:

- Be eligible for an immediate annuity**
- Be insured on the date of retirement**
- Have been enrolled for 5 years immediately preceding retirement, or since your first opportunity to enroll**



Basic FEGLI

Election options at retirement:

- **Waive FEGLI coverage**
- **No Reduction**
- **50% Reduction - 1% per month for approximately 50 months until it reaches 50% of it's initial amount**
- **75% Reduction - 2% per month for approximately 37.5 months until it reaches 25% of it's initial amount**
- * **Reductions, if applicable, begin at age 65 or at the time of retirement, whichever is later**



Basic FEGLI

- **Your annual rate of basic pay, rounded up to the next even \$1,000, plus an additional \$2,000**

Example:

Basic pay of \$47,800

Rounded up to \$48,000

Add an additional \$2,000

$\$48,000 + \$2,000 = \$50,000$

Basic Insurance Amount is: \$50,000



FEGLI - Option A

- **Standard \$10,000 coverage**
- **The only election options for Option A FEGLI at retirement are to either retain or drop coverage**
- **If you choose to retain Option A coverage, you will pay premiums up to age 65. At age 65, the value of the coverage decreases by 2% per month for approximately 37.5 months, until it reaches \$2,500**



FEGLI - Option B

- **Current Salary rounded up to nearest thousand multiples of 1 thru 5**
- **Full Reduction – At age 65, no cost & coverage begins reducing by 2% per month for approximately 50 months at which point the coverage will end**
- **No Reduction - Continue coverage on an unreduced basis by continuing to pay premiums after age 65**
- **If you elect unreduced coverage, you may later cancel that election and revert to reducing coverage**



FEGLI - Option C

- **Family members are automatically covered. You may elect multiples of **1** thru **5**. Each multiple is equal to \$5,000 for your spouse and \$2,500 for each eligible dependent child.**
- **Full Reduction – At age 65, no cost & coverage begins reducing by 2% per month for approximately 50 months at which point the coverage will end**
- **No Reduction - Continue coverage on an unreduced basis by continuing to pay premiums after age 65**
- **If you elect unreduced coverage, you may later cancel that election and revert to reducing coverage**



Order of Precedence

- **Valid Court Order**
- **Designated beneficiary or assignee**
- **Spouse (Widow or Widower)**
- **Child or children equally (and/or descendants of deceased children)**
- **Parent or parents**
- **Executor or administrator of estate**
- **Next of kin, per the laws of your state of residence at the time of death**



Designation of Beneficiary Forms

There are **4** different types of recommended beneficiary forms you may wish to complete:

- **SF 2823 - For your FEGLI benefits**
- **SF-1152 - For unpaid compensation if you die while Federally employed**
- **SF-3102 (FERS) for un-recovered contributions to the retirement fund**
- **TSP-3 - For your TSP account balance**



FERS

Long-Term Care (LTC) Insurance





LTC Insurance

An insurance program designed to protect the Federal family against high costs of long term care. Can help pay for a wide range of services, including:

- **Nursing Home Care**
- **Assisted Living Facility Care**
- **Adult Day Care**
- **Respite Care**
- **Home Health Care**
 - **Car/Sports accident**
 - **Disabling injury**
 - **Stroke**



Federal LTC Insurance Program

BENEFIT PERIOD

- Three years,
- Five years, OR
- Lifetime

Apply and enroll [online](#), answer a few health questions.

Qualified Relatives can also apply.

Premiums are based on age and health.

www.opm.gov/insure



Federal LTC

Insurance Program

**Want to talk with a Certified Long Term Care Insurance
Consultant?**

Tel: 1-800-LTC-FEDS (1-800-582-3337)

TTY: 1-800-843-3557

Mon - Fri 8 a.m. - 8 p.m. ET

Sat 9 a.m. - 5 p.m. ET

Closed Sun and Federal holidays.

<http://www.ltcfeds.com>



SOCIAL SECURITY BENEFITS

Social Security Administration



A Foundation for Planning Your Future





Who Pays for Social Security?

Today's
Workers
&
Employers



Today's
Beneficiaries



How Do You Qualify for Retirement Benefits?

- You need to work to earn Social Security “credits”
- Each \$1,220 in earnings gives you one credit
- You can earn a maximum of 4 credits per year



Example: To earn 4 credits in 2015, you must earn at least \$4,880. Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.



Your Age At The Time You Elect Retirement Benefits Affects the Amount If You're a Worker and Retire

- At age 62, you get a lower monthly payment
- At your full retirement age, you get your full benefit
- You get an even higher monthly payment if you work past your full retirement age





Your Age At The Time You Elect

Retirement Benefits Affects the Amount

For example, if you were born in 1960 or Later:

- Age 62 70% of benefit
- Age 63 75% of benefit
- Age 64 80% of benefit
- Age 65 86.7% of benefit
- Age 66 93.3% of benefit
- Age 67 100% of benefit
- Age 70 124% of benefit



****REDUCTION IS PERMANENT****



Full Retirement Age & Age 62 Reduction

<u>Year of Birth</u>	<u>Full Retirement Age</u>	<u>% at Age 62</u>
1937	65	80%
1938	65 & 2 months	79.2%
1939	65 & 4 months	78.3%
1940	65 & 6 months	77.5%
1941	65 & 8 months	76.7%
1942	65 & 10 months	75.8%
1943-1954	66	75%
1955	66 & 2 months	74.2%
1956	66 & 4 months	73.3%
1957	66 & 6 months	72.5%
1958	66 & 8 months	71.7%
1959	66 & 10 months	70.8%
1960 & later	67	70%



Replacement Rates

% of earnings

57%

Low Income Worker

- \$20,800 annual avg.
- \$995/month benefit at full age

45%

Middle Income Worker (*average-08*)

- \$41,335 annual avg.
- \$1,543/month benefit at full age

35%

Higher Income Worker

- \$75,000 annual avg.
- \$2,158/month benefit at full age



In Addition to the Retiree, Who Else Can Get Benefits?

Your Spouse (Eligible for up to 50% of your unreduced)

- At age 62 - (30% age reduction applies)
- At any age if caring for child under 16 or disabled
- Divorced spouses may qualify if married 10 years and cannot be remarried

Your Child

- Not married under 18 (under 19 if still in high school)
- Not married and disabled before age 22



How Social Security Determines Your Benefit

Social Security benefits are based on earnings

- Step 1 -Your wages are adjusted for changes in wage levels over time
- Step 2 -Find the monthly average of your 35 highest earnings years (zero earnings years will lower average)
- Step 3 -Result is “average indexed monthly earnings”



Use the Retirement Estimator

 Social Security
Official Social Security Website

Accessibility Contact Us FAQs Español Other Languages Sign In

Home Numbers & Cards Benefits Information for... Business & Government Our Agency

Retirement Estimator



How the Retirement Estimator Works

The Retirement Estimator gives estimates based on your actual Social Security earnings record. Please keep in mind that these are **just** estimates. We can't provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates provided because:**

- Your earnings may increase or decrease in the future.
- After you start receiving benefits, they will be adjusted for cost-of-living increases.
- Your estimated benefits are based on current law. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 cents for each dollar of scheduled benefits.
- Your benefit amount may be affected by military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.

Who Can Use the Retirement Estimator

You can use the Retirement Estimator if:

- You have enough [Social Security credits](#) at this time to qualify for benefits **and**
- You are **not**:
 - Currently receiving benefits on your own Social Security record;
 - Waiting for a decision about your application for benefits or Medicare;
 - Age 62 or older and receiving benefits on another Social Security record; **or**
 - Eligible for a [Pension Based on Work Not Covered By Social Security](#).

If you are currently receiving only Medicare benefits, you can still get an estimate and [Retirement Information For Medicare Beneficiaries](#).

If you cannot use the Retirement Estimator or you want a survivors or disability benefit estimate, please use one of our other benefit [Calculators](#).

[Estimate Your Retirement Benefits](#)

Related Information

[Estimate Your Life Expectancy](#)

[Other Benefit Calculators](#)

[What is the best age to start receiving retirement benefits?](#)

[Benefits For Your Spouse](#)

[Other Things To Consider](#)

[Retirement Toolkit](#)



Online Applications

[Apply Online For Retirement Benefits](#)

[Apply Online For Spouse's Benefits](#)

Note:

If you need information about how to move around in the Retirement Estimator, please read "[How To Move Around In This Application](#)."

- Convenient, secure, and quick financial planning tool
- Immediate and accurate benefit estimates
- Lets you create "What if" scenarios based on different ages and earnings

www.socialsecurity.gov/estimator



You Can Work & Still Receive Benefits

<u>If You Are</u>	<u>In 2015 You Can Make Up To</u>	<u>If You Make More, Some Benefits Will Be Withheld</u>
Under Full Retirement Age	\$15,720/yr. (\$1,310/mo.)	\$1 for every \$2
The Year Full Retirement Age is Reached	\$41,880/yr. (\$3,490/mo.)	\$1 for every \$3
Month of Full Retirement Age and Above	No Limit	No Limit



Note: If some of your retirement benefits are withheld because of your earnings, your benefits will be increased starting at your full retirement age to take into account those months in which benefits were withheld.

What Income Counts Towards the Earnings Test Limits



Income that Counts as Earnings

- Gross wages from employment and/or net earnings from self employment



Income that Does NOT Count as Earnings

- Inheritance payments
- Pensions
- Income from investments
- Interest and dividends
- Capital gains
- Other sources



Applying for Retirement Benefits

You can apply online for Retirement Benefits by visiting www.socialsecurity.gov and then clicking on “Benefits”

Home

Numbers & Cards

Benefits

Information for...

Business & Government

Our Agency



Retire Online!

Join millions like us retiring online.
Estimate your benefits.
Apply for retirement.
Manage your account.



Check out your Social Security Statement and manage your benefits.



Online Services

Whether you are applying for or receiving benefits, learn what you can do online.



Retirement Estimator

Calculate your benefits based on your actual Social Security earnings record.



FAQs

Get answers to the questions that people most frequently ask about Social Security.



Who Can Get Survivors Benefits?

Your Child if:

- Not married under age 18 (under 19 if still in high school)
- Not married and disabled before age 22

Widow or Widower:

- Full benefits at full retirement age
- Reduced benefits at age 60 (approximately 28% reduction)
- If disabled as early as age 50
- At any age if caring for child under 16 or disabled
- Remarriage after age 60 (50 if disabled)
- Divorced widows/widowers may qualify



Other Survivors Benefits

- Parents

Age 62 and was receiving at least one-half support from deceased worker

- Lump Sum Death Payment (\$255)

Most spouses
Some children





Are Social Security benefits taxable?

- First determine your base amount:
 - \$25,000 for an individual
 - \$32,000 for a married couple
- Next calculate to see if any of your benefits may be taxable:
 - Add half of your Social Security benefit and your other income together.
 - If the total is more than the base amount some of your benefits may be taxable
- Generally up to 50% of your benefit will be taxable. However up to 85% of your benefit can be taxable.

For more information,
1-800-829-3676 or
www.irs.gov
IRS Pub. 915



Who Can Get Medicare ?

65 & older

-or-

24 months after entitlement to Social Security disability benefits

-or-

Amyotrophic Lateral Sclerosis

-or-

Permanent kidney failure and receive maintenance dialysis or a kidney transplant



When Can I Sign Up for Medicare Part B?

Medicare Enrollment Periods:

- Special – if still working (8 months after you stop working)
- General (open season) – January-March (penalty for late enrollment)
- Initial – at age 65



Medicare Coverage

Part A - Hospital Insurance

- Covers most inpatient hospital expenses
- 2015 Deductible \$1,260
- If you buy part A, you'll pay up to \$407.00 per month

Part B - Medical Insurance

- Covers 80% doctor bills & other outpatient medical expenses after 1st \$147 in approved charges
- 2015 Standard Monthly Premium \$104.90

Part D - Medicare Prescription Drug Plan

- Covers a major portion of prescription drug costs for Medicare beneficiaries
- Enroll With Medicare prescription drug provider not SSA
- Annual enrollment period expanded in 2011 to October 15 through December 7
- Extra help with premiums for those with limited income/resources



For More Medicare Information

1-800-MEDICARE
(1-800-633-4227)
TTY 1-877-486-2048
www.medicare.gov

OSHIIP
Ohio Senior Health Insurance Information Program
1-800-686-1578
www.ohioinsurance.gov



Social Security's Online Services

Online Services for before or after you receive benefits

- Retirement Estimator
- Retirement & Disability Applications
- Medicare Online
- Apply for Extra Help With Medicare Drug Plan Costs
- Retirement/Survivors/Disability Planner
- Request a Social Security *Statement online*
- Change of Address
- Medicare Card Replacements
- Request a Benefit Verification Letter
- Start or Change Direct Deposit



Ohio National Guard

Family Readiness and Warrior Support

Joint Family Support Assistance Program

Retirement and Estate Planning



Retirement and Estate Planning

- A variety of tax-sheltered opportunities are available for building retirement assets.
- **Tax Sheltering** – tax laws allow certain income to remain exempt from income taxes or permit an adjustment, reduction, deferral, or elimination of income tax liability.



Analyze Your Current Assets and Liabilities for Retirement and Estimate Your Retirement Living Costs

Misconceptions About Retirement Planning

- You have plenty of time to start saving for retirement ...
- Saving just a little bit won't help ...
- You'll spend less money when you retire ...
- My retirement will only last 15 years ...
- You can depend on Social Security and a company pension to pay your basic living expenses ...
- Your pension benefits will increase to keep pace with inflation
- Your employer's health insurance plan and Medicare will cover all your medical expenses when you retire...





Conducting a Financial Analysis

Assets - Liabilities = Net Worth

- Ideally net worth should increase each year

Housing

- If owned, probably your biggest single asset
- If large equity, a reverse mortgage could provide additional retirement income
- Sell your home, buy a less expensive one, and invest the difference



Life Insurance

- May reduce coverage as you near retirement and children are self-sufficient
- Increase income by lowering premiums

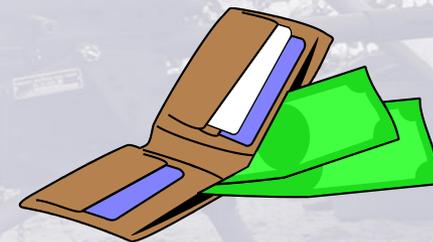
Other Investments

- After retirement, consider changing your objective from growth to income



Estimating Retirement Living Expenses

- **Spending patterns and where and how you live will probably change**
- **Some expenses may go down or stop:**
 - ↓ 401(k) retirement fund contributions
 - ↓ Work expenses - less for gas, lunches out
 - ↓ Clothing expenses - fewer and more casual
 - ↓ Housing expenses - house payment may stop if your house is paid off
 - ↓ Federal income taxes will probably be lower
- **Other expenses may go up:**
 - ↑ Life and health insurance unless your employer continues coverage
 - ↑ Medical expenses increase with age
 - ↑ Expenses for leisure activities
 - ↑ Gifts and contributions
- **Inflation will increase the amount needed to cover expenses over the course of retirement**





Determine Your Planned Retirement Income and Develop a Balanced Budget

Major Sources of Retirement Income

-Employer Pension Plans

- Defined Contribution (e.g., Thrift Savings Plan)
- Defined Benefit (e.g., FERS Annuity)

-Public Pension Plans (e.g., Social Security)

-Personal Retirement Plans (e.g., Roth and Regular IRAs)

-Annuities



Employer Pension Plans

Defined Contribution Plans

An individual account to which employer contributes a specific amount annually

- **Money-Purchase Pension Plans** - % of earnings set aside annually by employer
- **Stock Bonus Plans** - Employer's contribution buys stock in the company
- **Profit-Sharing Plans** - Employer's contribution depends on the company's profits

401(k) or 403(b) Plans / Thrift Savings Plan

- “Salary-reduction” plan
- Workers elect to reduce their salary (up to maximum amount allowed)
- Employee contributions are tax-deferred
- Some employers match a portion of workers' contribution
- Funds invested in stocks, bonds, and mutual funds
- Vesting period



Employer Pension Plans

Defined Benefit Plans

- Employer will pay a certain amount per month when workers retire based on:
 - Pre-retirement salary
 - Number of years of service
- Employers make investment decisions; assume risk
- Workers' benefit amount stays the same regardless of how the investments perform

ERISA

- *Employee Retirement Income Security Act of 1974*
- Sets minimum standards for pension plans
- Federal government insures part of the payments promised by defined-payment plans



Retirement Plan Insurance

Pension Benefit Guarantee Corporation

- (PBGC; www.pbgc.gov)
- Provides insurance program that guarantees certain benefits to eligible workers whose employers' defined-benefit plans are not financially sound enough to pay their obligations.
- It does *not* insure defined-contribution plans.





Personal Retirement Accounts

Individual Retirement Accounts (IRAs)

Regular (Traditional) IRA

- Allows \$5,500 contribution in 2015 (Age 50 or older, \$6,500)
- Contribution may be tax-deductible, depending on your tax filing status and income
- Interest accumulates tax free until withdrawal
- May begin withdrawing at 59 ½
- **Must** begin withdrawing at 70 ½
- Withdrawals are taxable income





Individual Retirement Accounts

Roth IRA

- Contributions are not tax deductible
- Distributions tax free after age 59 ½
- Maximum income limits for contributions
- After five years, withdrawals are tax-free and penalty-free, if:
 - You are at least 59 ½ ... or
 - Funds used as a down payment on a first-time home purchase
- Can convert a Regular IRA into a Roth IRA





Individual Retirement Accounts

- **Simplified Employee Pension (SEP-IRA)**
 - IRA funded by small business employer
 - Employer can make annual contributions up to \$53,000 (2015)
 - Employee's contributions fully tax-deductible
 - Simplest retirement plan for the self-employed
- **Spousal IRA**
 - Contributions for a nonworking spouse if filing a joint return
 - Same Contribution limits as Roth or Traditional IRAs



Individual Retirement Accounts

- **Rollover IRA**

- Traditional IRA allowing transfer of all, or a portion, of your taxable distribution from a retirement plan or other IRA

- **Education IRA**

- *Coverdell Education Savings Account*
- May give up to \$2,000 a year to each child under age 18
- Contributions not tax-deductible
- Tax-free distributions for education expenses



Individual Retirement Accounts

- **Keogh Plans**

- *H.R. 10 plan or self-employed retirement plan*
- Designed for the self-employed
- Annual tax-deductible contributions limited
- Can be difficult to administer

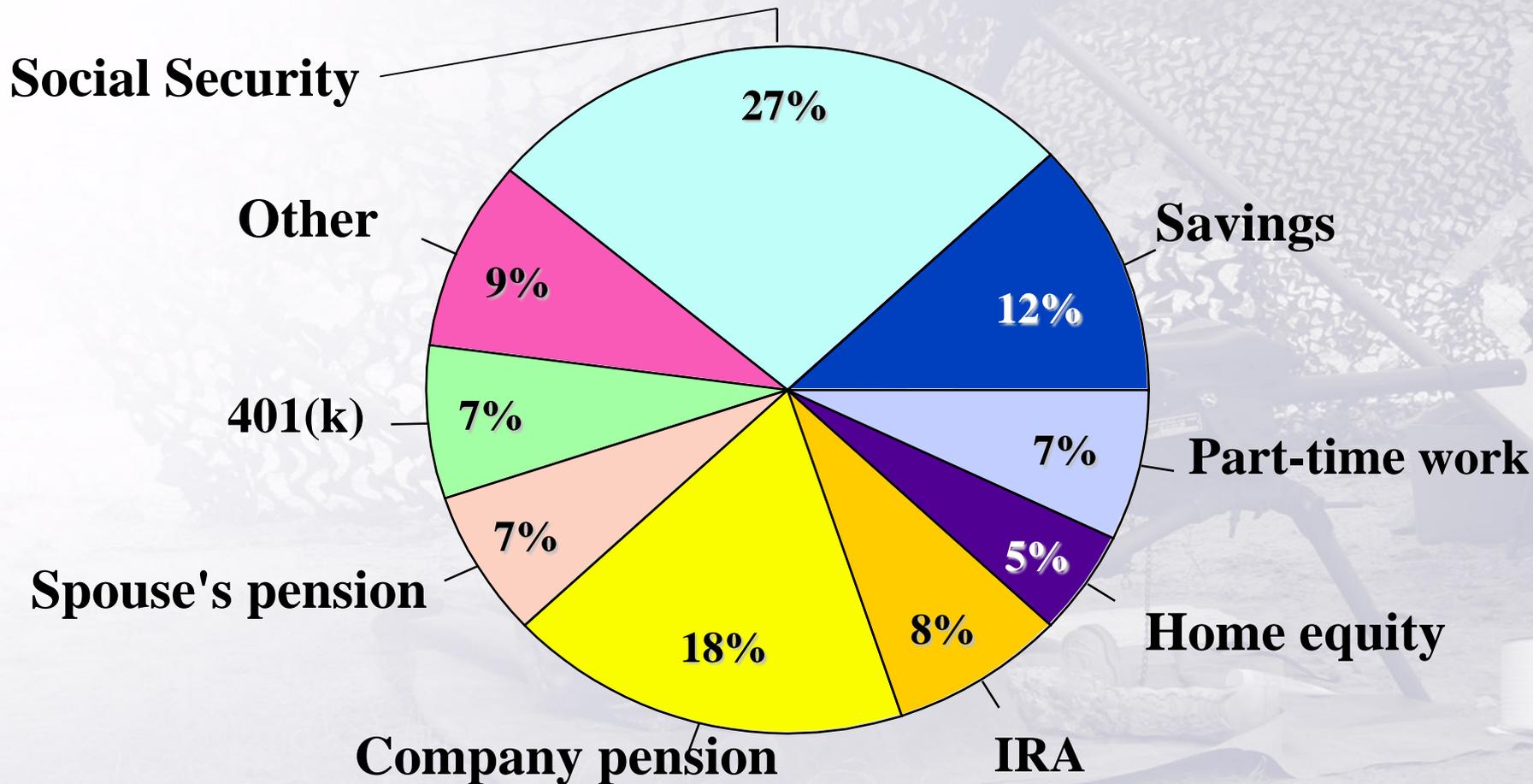


- **Limits on Personal Retirement Plans**

- Cannot leave money in a tax-deferred retirement plan forever (except for Roth IRA)
- At retirement or by age 70½, you must begin to receive a minimum lifetime distribution



Anticipated Sources of Retirement Income





Living on Your Retirement Income

- **Estimate a retirement budget**
- **If funds are not enough:**
 - First, make sure you are getting all the income you are entitled to
 - Convert assets into cash or sources of income
 - Consider the trade-off between spending and saving
 - Consider working during retirement
 - Dip into your nest egg cautiously and consider what you would like to leave for your heirs



Analyze the Personal and Legal Aspects of Estate Planning

- **Your estate** = everything you own
- **Estate Planning** = a definite plan for the administration and disposition of your property during your lifetime and at your death
 - While you work, you accumulate funds for your future and for your dependents.
 - As you grow older, your emphasis will shift from accumulating assets to distributing them wisely





Estate Planning

Estate Planning Phases

1. Build estate through savings, investment and insurance
2. Ensure that your estate is distributed as you wish after your death
 - If married: consider needs of spouse
 - If single: financial affairs in order for beneficiaries
 - Make sure important documents are accessible, understandable, and legally proper



Distinguish Among Various Types of Wills and Trusts

Wills

- Specifies the disposition of property after death
- Have an attorney draft your will to avoid difficulties
- A standard **will** can cost between \$300-\$400



Intestate and Probate

- **Intestate**

- You die without a will
- The state distributes your assets
- May mean the state will decide on a guardian for your children
- Very complicated if a “blended” family



- **Probate**

- Probate court generally validates wills and makes sure your debts are paid
- Expensive, lengthy, and public



Will Formats

- **Holographic Will**

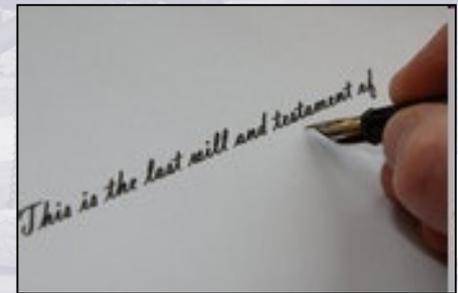
- Will that you write, date and sign, entirely in your handwriting
- May not be recognized in some states

- **Formal Will**

- Usually prepared with attorney's assistance
- You must sign and have two witnesses, neither of whom can be beneficiaries
- **Beneficiary** = person you have named to receive property

- **Statutory Will**

- A type of formal will on a preprinted form
- Available from a lawyer or stationery store
- May include provisions not in the best interest of heirs





Writing Your Will

Selecting an Executor

Executor = person willing and able to execute provisions of someone's will (can be family member, lawyer, etc.)

Tasks may include:

- Preparing an inventory of assets
- Collecting any money due and paying off debts
- File all income and estate tax returns
- Decisions about investing or selling assets to pay off debts or provide income
- Distribute the estate and make financial accounting to beneficiaries



Selecting a Guardian

Guardian = person who assumes responsibility for providing the children with personal care and managing the estate for them



Altering or Rewriting Your Will

- **Reasons to Review Your Will:**

- You move to a new state with different laws
- You have sold property mentioned in the will
- The size and composition of your estate has changed
- You have married, divorced or remarried
- Potential heirs born or died

- **Adding a Codicil**

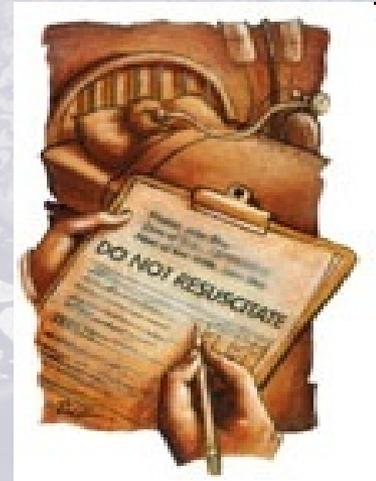
- Document that explains, adds or deletes provisions in your existing will





Living Will

- Allows you to specify whether or not to be kept on artificial life support
 - “*Do Not Resuscitate*” (DNR)
- May also appoint someone to make health care decisions on your behalf in case you are unable to do so





Power of Attorney

- **Power of Attorney**
 - Legal document authorizing someone to legally act on your behalf if you become seriously ill or injured (until they revoke it or die)
- **Health Care Power of Attorney**
 - Combines a living will and power of attorney for use in making health-related decisions





Letter of Last Instruction

- Not legally binding
- Provides heirs with valuable information
- Could include:
 - Funeral/memorial preferences
 - Names of people to be notified of your death
 - Location of bank accounts, safe deposit box
 - Assets and debts
 - Social Security number
 - Disposition of personal effects





Trusts

- **Legal arrangement through which trustee holds your assets for your benefit or that of beneficiaries**
 - Trustee may be an individual or an institution
- **Benefits of Trusts:**
 - Avoid probate; transfer assets immediately
 - Free you from managing assets
 - Provide income for a surviving spouse
- **Revocable Trust**
 - You retain the right to end the trust or change its terms during your lifetime.
 - May avoid the lengthy probate process
 - Does not provide shelter from federal or state estate taxes
- **Irrevocable Trust**
 - You cannot change the terms once instituted
 - Used to reduce estate taxes
 - Avoids probate
- **Living Trust**
 - “*Inter vivos trust*”; in affect while you are alive
- **Testamentary Trust**
 - Established by your will; takes effect after death





Taxes And Estate Planning

- **Estate Taxes**

- Federal tax on value of property at death
- Tax on fair market value
- \$5 million exempt in 2011-2012

- **Estate and Trust Federal Income Taxes**

- Estates and certain trusts must file tax returns
- Trusts and estates must pay quarterly estimated taxes



- **Inheritance Taxes**

- Tax on property left by a person in their will
- Imposed by states
- 4 to 10% on average

- **Gift Taxes**

- Tax on gifts given by one person to another in a single year
- Imposed by both state and federal governments



RETIRED PAY

for the

Reserve

Component

(Army)



Application

- Submit Application the Human Resources Command, Ft Knox, KY

US Army Human Resource Center of Excellence

ATTN: AHRC-PDR-RCR

1600 Spearhead Division Ave Dept. 420

Fort Knox, KY 40122-5402

- Submit to HRC nine (9) months prior to retirement date



Application Documents

- DD Form 108 – Application for Retired Pay Benefits
- DD Form 2656 – Data for Payment of Retired Personnel
- Notification of Eligibility for Retired Pay (NOE) (NGB Form 23D or equivalent)
- NGB Form 23B – ARNG Retirement Points History Statement
- Order of Transfer to the Retired Reserve



Application Documents (Continued)

- DD Form 2656-5 – Survivor Benefit Plan Election Certificate (Or DD 1883)
- DD Form 2656-6 – Survivor Benefit Plan Election Change Certificate (If applicable)
- SF 1199A – Direct Deposit Authorization
- DD Forms 214 – Certificate of Release or Discharge From Active Duty
- NGB Forms 22 – Report of Separation and Record of Service



Reduced Eligibility Age

- Effective 28 Jan 2008
- For Mobilized Service on or after 29 Jan 2008
- Mobilized under 10 USC 12301(a), 12301(d), 12302, 12304
- National Emergency declared by the President or Congress
- Must still complete 20 years of qualifying service
- Eligibility for health care remains at age 60
- Eligibility age may not be reduced below age 50



Reduced Eligibility Age (Continued)

- AD for a National Emergency under 32 USC 502(f)
- Examples
 - Secure US Airports following an attack
 - To Assist in the aftermath of a hurricane
 - To Assist in securing borders (Homeland Def.)
 - Support a National Special Security Event



Reduced Eligibility Age (Continued)

- NOT creditable for reducing eligibility age
 - Member of a regular component
 - Active Guard Reserve (AGR)
 - Medical treatment, evaluation, etc. (12301(h))
 - Annual tour (12301(b))



TRICARE

- TRICARE Retired Reserve (dollars based on 2015)
 - Member of Retired Reserve eligible for non-regular (RC) retired pay
 - Under Age 60
 - Not eligible for, or enrolled in, the FEHB program
 - Outpatient deductible - \$150 Ind/\$300 Family
 - Cost share – 25% Standard/20% Extra (after deductible)
 - Monthly Premium (Two months premium w/enrollment)
 - TRR Member Only – \$390.89
 - TRR Member and Family - \$961.35



TRICARE Program Options

- TRICARE Standard
- TRICARE Extra
- TRICARE Prime
- TRICARE For Life
- TRICARE Pharmacy Program
- TRICARE Dental Program



TRICARE

- TRICARE Standard/TRICARE Extra
 - Standard – Non-network providers
 - Extra – Network providers
 - Over age 60 receiving retired pay
 - No up front cost
 - Outpatient deductible - \$150 Indiv/\$300 Family
 - Cost share – 25% Standard/20% Extra (after deductible)



TRICARE

- TRICARE Prime
 - Over age 60 receiving retired pay
 - Use network providers
 - Co-pay based on type of service
 - Must enroll NLT 20th day of month prior to start date
 - Annual Enrollment Fee (Applied to catastrophic cap)
 - Individual - \$277.92
 - Family - \$555.84



TRICARE

- TRICARE for Life
 - Over age 65
 - Medicare eligible
 - Must be eligible for Medicare Part A (if declined for part A; coverage will revert to TRICARE Standard)
 - Must enroll in Medicare Part B
 - Premium – \$104.90 per month (2015)
 - TRICARE is the second payer to Medicare



TRICARE

- TRICARE Pharmacy Program
 - Available to everyone with TRICARE eligibility
 - Four Options
 - Military Treatment Facility (MTF)
 - TRICARE Pharmacy Home Delivery
 - Retail Network Pharmacy
 - Non-Network Pharmacy
 - Cost share - \$8, \$20, \$47 (based on 2015)



TRICARE

- TRICARE Retiree Dental Program
 - Retirees and their family members
 - Survivors
- Premium for this area (2015)
 - Single - \$29.65
 - Two Person – \$58.90
 - Family – 107.16
 - Must pay two months premium on enrollment



TRICARE

- TRICARE Retiree Dental Program (Cont.)
 - Available to Retirees and “Gray-area” Retirees
 - Cost share based on service provided
 - Cost share may be higher when using non-network providers
 - Must enroll within 120 days of retirement to receive full benefits for first year



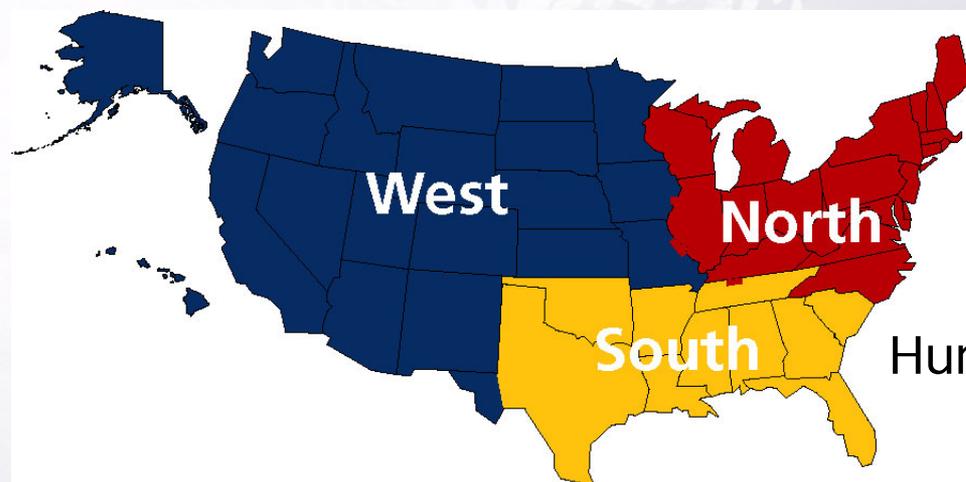
TRICARE Regions

West Region

TriWest Healthcare Alliance
1-888-TRIWEST
www.triwest.com

North Region

Health Net Federal Services, Inc.
1-877-TRICARE
www.healthnetfederalservices.com



South Region

Humana Military Healthcare Services, Inc.
1-800-444-5445
www.humana-military.com



Federal Employees Retirement System (FERS)

QUESTIONS?



Federal Employees Retirement System (FERS)

Ohio National Guard

Benefits and Retirement Counselors

Point of Contact:

Air

Ms. Chanika Hudson – 614-336-7440

chanika.s.hudson.mil@mail.mil

Army

Ms. Amy Stolly – 614-336-7438

amy.l.stolly.mil@mail.mil

HRO: 614-336-7051

FAX: 614-336-7052

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