FedWise Retirement Planners

The Complete FERS Retirement Guide

Written By:
Jesse Black and Steven Puckett

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Chapter 1

FERS Retirement Eligibility

Here's what it takes to retire with an immediate unreduced pension.

When retiring as a regular FERS (Federal Employee Retirement System) employee, your eligibility is based off of years of service and age. You must meet one of the three main minimum age and service requirements in order to qualify for an "immediate" unreduced pension. While there are other factors to consider when planning for retirement, such as income needs, strategies around social security and health benefits, the basic requirements are a good place to start.

MRA (Minimum Retirement Age) with at least 30 years of service

Retiring at MRA with at least 30 years of service is the earliest a regular FERS employee can retire (other than accepting an "Early Out" option) without a penalty. Minimum retirement age is based on the year of birth of the FERS employee. The following chart shows what that age is based on year of birth:

If you were born	Your MRA is
Before 1948	55
In 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months
In 1953-1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 mo
In 1969	56 and 10 mont
In 1970 and after	57

Separating at MRA with at least 30 years of service also qualifies you for the supplement. The supplement is from OPM and is designed to bridge the gap in income from retirement to social security eligibility, at age 62. These retirees also get to keep their FEHB (Federal Employee Health Benefits) and FEGLI (Federal Employee Group Life Insurance). Keep in mind that regular FERS retirees do not get any cost-of-living adjustments (COLA) until age 62.

Age 60 with at least 20 years of service

For employees who may have gotten a later start in their careers with the government, retiring at age 60 with at least 20 years of service can be a good "middle ground" option to still qualify for a penalty-free pension. Much like the previous qualification, this retiree also qualifies for the supplement and gets to keep their health benefits and life insurance coverage. It also puts them closer to qualifying for a cost-of-living adjustment. There is an advantage to making it two more years and retiring at age 62 with at least 20 years which we will cover shortly.

Age 62 with at least 5 years of service

Retiring at age 62 with at least 5 years of service also qualifies you for an "immediate" unreduced pension. Since social security age has been reached in this scenario, there is no supplement for retiring at age 62, because you can start social security payments right away. You would also be able to carry your health benefits and life insurance into retirement. A big advantage to going out at age 62 is you do not have to wait for a cost-of-living adjustment.

Pension Calculation

FERS employees who retire under any of the previously discussed scenarios (MRA w/ 30 years of service, Age 60 w/ 20 years of service and Age 62 w/ at least 5 years of service) get 1% per year of service towards their high-3 (the highest average 3 years of base plus locality earnings at any point in a FERS employee's career).

For example: Sue has reached her MRA at age 57 with 32 years of service and has a high-3 of $65,000. Sue would get 32% (1% multiplied by years of service) of $65,000 (her high-3).

$65,000 X 32%= $20,800 per year

$20,800/12= $1,733.33 per month

Please note that this example does not include the income from the supplement that Sue would qualify for as well.

Age 62 with at least 20 years of service

Employees who make it to age 62 with at least 20 years of service get a higher pension calculation. Instead of receiving 1% per year of service, this employee gets a 10 % higher calculation of 1.1%.

For example: Carl is age 63 with 25 years of service and has a high-3 of $80,000. Carl would get 27.5% (years of service multiplied by 1.1%) of $80,000 (his high-3).

$80,000 X 27.5%= $22,000 per year

$22,000/12= $1,833.33 per month

There is no supplement for Carl because he retired at age 62.

What works for you?

It is important to know your options and have a plan leading up to retirement. Just because you reach your minimum retirement age and have those 30 years, does not mean that the figures will work out and lead to a successful retirement. Sometimes working those couple extra years to get a COLA right away or get the higher pension calculation makes all the difference and also leads to extra time contributing and getting a match in your Thrift Savings Plan. All of which increase how successful your retirement can be down the road.

Chapter 2

How Much Money Does A FERS Employee Need To Retire?

You might have read the common rule of thumb that you should have "80% of your pre-retirement income in retirement to maintain the same lifestyle". How much money should you really have and how does this "rule" pertain to Federal Employees?

The "80% rule" is what many financial professionals and articles have told pre-retirees to shoot for. It is simply a general rule that does not apply to everyone. I have assisted federal employees who needed more than 80% and some that were able to retire comfortably on 50% of their pre-retirement income. The "80% Rule" luckily is not a steadfast rule for every federal employee. To know what percentage of your pay you need for your specific situation you need to evaluate your income needs in retirement. A federal employee who still has children in college that they're helping pay tuition for will likely need more income than a federal employee who has paid off all their debts and no longer has dependent children. Everyone's needs are unique. To know how much income you'll need, you need to ask yourself three questions;

When do I want to retire?

The first key element in your retirement income planning is knowing when you'd like to retire. Do you want to retire as soon as you might be eligible, in your late fifties? Or do you enjoy your job and want to work as long as possible? As you may know, federal employees can be eligible for retirement as early as age 55 for regular employees and even earlier for special provisions. If you want to retire sooner rather than later that will likely require extra planning and more diligence on your part to save and lower monthly expenses. Knowing when you are going to retire will also give you a better idea of what your monthly expenses will be. If you retire in your 50s you might still have a mortgage payment compared to having it paid off in your 60s. You might still have children dependent upon your income where they will hopefully be self-sustaining if you've reached your 60s. Again, each season of life usually brings different expenses and different needs. Last thing to think about is if you retire earlier, you will have more retirement years. If you retire in your 50s and you live to your mid 90s that means you'll have 40 years of retirement income to plan for! You"ll have to plan on making your savings last and plan for inflation. Each season brings its own unique planning issues and needs.

What will my expenses be?

Now that you know when you want to retire, look at your monthly expenses and what type of income you'll need at that time. If you're retiring in your 50s and your monthly expenses will be about the same as when you were working, then you'll need closer to that "80% rule" and need more income in retirement. Maybe you're going to retire later though. Maybe retiring later, your monthly expenses will be lower for whatever reason. That could be; you pay off a mortgage, you're moving to a less expensive area, your children will be moving out or any number of things. If that's the case and your monthly expenses are less than when you were working, you can probably get by with less income. You probably don't need 80%, maybe you can maintain the same lifestyle with 60 or 70% of your income. As I mentioned earlier the "80%" rule is general and everyone's needs are unique. The "80% rule" is not the "80% law". Do a little number crunching and figure out your own "rule".

What do I want to do in retirement?

Another factor that could affect your income needs is what you want to accomplish in retirement. There could be additional income needs for travels, vacation homes, or hobbies. If you retire and you're experiencing a new country every month then obviously there will be additional expenses for that. If you want to hit the golf course every day then you'll need to plan for that golf membership! What you want in retirement could mean your expenses will be lower though. If you want to move from New York City to rural Florida then in that case your expenses will almost certainly go down. Asking yourself what you want to accomplish and experience in retirement will also give you a good gauge on how that will affect your monthly expenses.

Evaluating those three questions for yourself, will give you a great foundation in starting your income planning for retirement. Now you have a good foundation there are a couple other things I recommend you consider. The first is inflation. If you have just enough to retire with no other additional assets, you may want to delay your retirement or lower your monthly expenses. Having just barely enough means things could get very tight for you if you do live a long healthy retirement. COLAs, or Cost of Living Adjustments, on pensions and Social Security do not keep true pace with inflation. It's something every Federal Employee should plan for. The second is, gross vs net pay. When you read the "80% Rule" most financial professionals are talking about gross pay. They're talking about your pay before taxes and deductions off your check. My personal opinion for Federal Employees is they should look at "take home" or net pay. A lot of Federal Employees who have worked for the government for dozens of years are often surprised how close they can be to their take home pay with just their pension and Social Security. Federal Employees have considerably less deductions coming off of their retirement than they do their salary. Deductions like FICA Taxes, Pension Contributions, TSP Contributions, and Medicare taxes do not come off of your pension.

When you compare Net Income, often times it's easier to maintain the same lifestyle and transition into retirement easier. Taking the time to ask yourself those three questions will help answer your main question, "How much money do I need in retirement?".

Chapter 3

Understanding The Interim Period

The interim period for Federal Employees Retirement System (FERS) is a critical phase in federal retirement planning. It bridges the gap between a federal employee's retirement and the initiation of their FERS annuity payments. This article provides an in-depth exploration of the interim period for FERS federal employees, shedding light on its significance and offering valuable insights for effective federal retirement planning.

Retirement Application Submission

To commence the retirement process, FERS employees must submit a comprehensive retirement application to the Office of Personnel Management (OPM). This submission entails providing essential personal information, detailed employment history, and relevant documentation.

Initial Processing

Upon receipt of the retirement application, the OPM undertakes the initial processing and review procedures. This includes verifying the retiree's eligibility for retirement benefits, calculating the annuity amount, and conducting necessary background checks.

Preliminary Annuity Estimate

As part of the initial processing, the OPM may provide the retiree with a preliminary annuity estimate. This estimate serves as an invaluable resource, providing retirees with an approximate idea of the annuity amount they can expect once the process is finalized.

Documentation Review

The OPM meticulously reviews the retiree's supporting documentation, which may encompass birth certificates, marriage certificates, divorce decrees, and military service records. This careful scrutiny ensures the accuracy of the retirement application and validates the retiree's eligibility for specific benefits.

Annuity Calculation

Based on factors such as length of service, highest average salary, and the FERS retirement formula, the OPM calculates the retiree's annuity. This calculation determines the precise monthly payment amount the retiree will receive once the annuity is finalized.

Confirmation and Approval

Upon completion of the review and processing stage, the OPM issues an official notification to the retiree, confirming the approved retirement date and the calculated annuity amount. The notification also includes instructions for the retiree regarding any outstanding documentation or additional information required, if applicable.

Interim Period

The interim period spans from the approved retirement date until the annuity payments commence. During this period, retirees may be eligible to receive interim retirement payments. These payments are typically based on an estimated annuity amount, which may be lower than the final calculated amount. The interim payments offer financial support to retirees while the OPM finalizes the annuity process.

Finalizing The Annuity

Then OPM concludes the annuity application process by conducting a thorough final review, ensuring all necessary documentation is complete and accurate. Once this step is finalized, the retiree's official annuity is calculated and confirmed.

Commencement Of Annuity Payments

Following the completion of the annuity process, the OPM initiates regular annuity payments. These payments are disbursed on a monthly basis and continue throughout the retiree's lifetime, with potential adjustments for cost-of-living increases.

The interim period for FERS federal employees is a pivotal aspect of federal retirement planning. By understanding and navigating this period effectively, federal employees can optimize their retirement benefits. From timely retirement application submission to meticulous documentation review and interim payment provision, a comprehensive understanding of the interim period empowers federal employees to embark on a secure and fulfilling retirement journey.

Chapter 4

Federal Employee Health Benefits In Retirement

Federal Employees Health Benefits (FEHB) is a vital component of federal retirement planning and federal employee retirement. This comprehensive healthcare program is designed to provide federal employees, retirees, and their eligible family members with access to quality medical services. Understanding the key aspects of FEHB, including Open Season, coverage during retirement, and survivor benefits, is crucial for effective federal retirement planning and ensuring a smooth transition for federal employee retirement.

Open Season

Open Season plays a significant role in federal retirement planning and federal employee retirement. It is an annual period, typically in the fall, where federal employees and retirees can make changes to their health insurance plans. This crucial window allows participants to switch plans, change coverage levels, or enroll for the first time. By taking advantage of Open Season, individuals can carefully review the available plans, compare benefits and costs, and select the most suitable option for their specific needs and federal retirement planning goals. The flexibility offered during Open Season ensures that beneficiaries can adjust their healthcare coverage to accommodate changing circumstances or evolving healthcare requirements.

Maintaining Coverage Into Retirement

Coverage during retirement is a vital consideration in federal retirement planning. To maintain FEHB coverage throughout retirement, federal employees must meet specific requirements. Continuous enrollment in an FEHB plan for at least five years immediately before retiring is essential. When planning for federal employee retirement, it is crucial to assess the healthcare needs and preferences and make an informed decision about whether to keep the same FEHB plan or switch to a different one during Open Season. Understanding the coverage options and potential costs during retirement is essential for effective federal retirement planning and ensuring comprehensive healthcare coverage during this phase of life.

Health Insurance For Your Survivor

Survivor benefits are also an important aspect of federal retirement planning and federal employee retirement. In the unfortunate event of an employee's death, FEHB offers survivor benefits to eligible family members. Survivors can continue to be covered under the deceased employee's FEHB plan, provided certain criteria are met. The Federal Employee must choose a survivor benefit if they want their survivor to continue their health insurance in the event of their death. It is crucial to ensure that family members were covered under the employee's FEHB plan at the time of their passing. As part of federal retirement planning, survivors can evaluate their healthcare needs and preferences and decide whether to continue with the same plan or switch to another plan during Open Season.

Federal retirement planning and federal employee retirement require a comprehensive understanding of FEHB and its various components. By optimizing healthcare coverage through Open Season, federal employees and retirees can make informed decisions that align with their specific needs and federal retirement planning objectives. Considering coverage during retirement and survivor benefits is crucial to ensure seamless healthcare coverage transitions and the financial well-being of federal employees and their families in retirement. By incorporating these factors into federal retirement planning, individuals can secure peace of mind and a stable foundation for their post-employment years.

Chapter 5

Federal Employee Group Life Insurance Options Into Retirement

What happens when a federal employee's working days come to an end and they enter into retirement? What life insurance options are available to them in their golden years? Many people make the mistake of believing that they don't need to know this because they are years from retirement and they will deal with it when the time comes. I would implore them to investigate their options sooner, rather than later. It would be in their best interest to know what's available before they retire. When filling out retirement papers and being presented with choices, that is not the time to try and scramble to learn about the different options. As Plato said "A good decision is one based on Knowledge" Put another way, an easy decision is one where you already have all of the facts. So, let's examine what's available to federal employees as they enter into a new season of life, retirement.

FEGLI Basic

To keep your FEGLI Basic in retirement, you must have been insured with your basic coverage for at least five consecutive years to retain your coverage in retirement. You will be given three choices in how you are able to keep your Basic Coverage if you wish to. This is where people make a choice so we will exam the options carefully.

The first choice is called the 75% reduction option. If you choose this option, a reduction begins the second month after your 65th birthday, or the second month after you retire, whichever is later. At that time your original coverage amount will begin to decrease by 2% each month until it reaches 25% of the original amount. It will remain level at that value for the rest of your life. Prior to the coverage starting to reduce, it will cost you 32.5 cents per thousand. Here is the real selling point of this option though, after it begins reducing, your basic coverage is free and you will never pay another premium for it. So, let's see what all of that jargon means in real terms. Let's create an example that when you retire at age 60 your basic coverage is a $100,000 death benefit and you choose the 75% reduction option. After you turn 65 the death benefit begins reducing by $2,000 until it reaches $25,000. It will remain at that $25,000 value for the rest of your life. Prior to age 65 this benefit cost you $32.00 per month. After the age of 65 when it began reducing it cost you nothing. Once it reaches the full reduction amount, you will have a free $25,000 death benefit from that moment on.

The second choice is known as the 50% reduction option. This option as you would assume allows you to keep half of your Basic coverage. The reduction on this coverage also begins the second month after your 65th birthday, or the second month after you retire, whichever is later. However, it only goes down by 1% a month until it arrives at 50% of the original coverage amount. Prior to it reducing, it will cost you 96.5 cents per thousand. After the reduction begins the cost will go down to 64 cents per thousand until you die, cancel it, or decide to reduce it to the 75% deduction option. Allow us to revisit the example above. You retire at age 60 with $100,000 in Basic coverage. If you chose this 50% reduction option it would cost you $96.50 per month until the reduction begins. After the monthly reduction begins your cost would be $64.00 a month.

The final choice is the No Reduction option. If you feel you would like to keep your entire Basic Coverage amount, this is the option you would choose. This option would cost you $2.265 every month per thousand prior to the age of 65 and $1.94 each thousand after. So, applying these figures to our previous scenario, your $100,000 would cost you $226.50 each month before age 65 and $194.00 every month after. Your $100,000 never reduces, the entire amount always remains.

Hopefully all of that information clarifies how your Basic coverage options work in retirement. You can see why it might be a good idea to research this and apply the above numbers to your individual situation prior to commencing the retirement process. Please note if you do not choose an option on your papers, it will default to the 75% reduction option.

Cost for each $1,000 of the Basic Insurance Amount in Effect at the Time of your Retirement			
Time	**75% Reduction**	**50% Reduction**	**No Reduction**
Until the Month after your 65th Birthday	$0.325 monthly	$0.965 monthly	$2.265 monthly
Starting the Month after your 65th Birthday	Free	$0.64 monthly*	$1.94 monthly*

** You will continue to pay premiums for life (unless you cancel or subsequently elect 75% Reduction).***

Option A

What happens to your Option A, the flat $10,000 additional coverage, when you retire? The amount of Option A automatically reduces when you reach age 65 (or retire, if later). There is no election to be made. The amount of coverage reduces by 2 Percent each month until the amount reaches 25 percent of the original amount. Only 25 Percent of the original amount ($2,500) is payable as a death benefit once the full reduction has been reached. There is no premium after age 65.

Option B

Let's review what your options are for your optional 1 to 5 additional multiples you could have selected through option B. When you retire you have two basic choices;

The first choice is a full reduction option. If you choose the full reduction option, at the magic age of 65, or when you retire if you're older than 65, your coverage will reduce by 2% a month until after fifty months your coverage is gone. People choose this option because once the reduction has begun, there is no premium!

The second choice is a no reduction option. This is where you keep your Option B into retirement. If the full benefit remains, the full premium remains. The premiums are the same cost for retirees as they are for employed workers. The cost is based on your age and can go up with a new attained age bracket, just like when you were working. You can reduce multiples going into retirement. For example, if you had 3 times your salary as you go into retirement you can choose 1, 2 or 3 multiples in retirement. See the Option B chart below for cost breakdown. Also, at any time in retirement you can choose to switch to the full reduction option.

Age Group	Biweekly withholding ($) per $1,000 of insurance	Monthly withholding ($) per $1,000 of insurance
Under age 35	0.02	0.043
Age 35 through 39	0.03	0.065
Age 40 through 44	0.04	0.087
Age 45 through 49	0.07	0.152
Age 50 through 54	0.11	0.238
Age 55 through 59	0.20	0.433
Age 60 through 64	0.44	0.953
Age 65 through 69	0.54	1.170
Age 70 through 74	0.96	2.080
Age 75 through 79	1.80	3.900
Age 80 and Over	2.64	5.720

Option C

Wrapping up your coverage options is the Family Coverage, Option C. Your options are the same as Option B. You can choose a "full reduction" or a "no reduction" of your coverage on your family. Just like Option B the full reduction time will reduce by 2% a month until the coverage is depleted. There is no premium for the full reduction option once the reduction begins. Also similar to the Option B if you choose a no reduction option, you keep your full Option C coverage but you continue to pay a premium based on your age.

As you can see there is a lot of information and a lot to consider for your Federal Employee Group Life Insurance when you retire. This is why examining what you currently have and what you need in retirement is important. Once you establish what coverage you do or don't need in retirement you can decide which options you will utilize for each area of coverage. Before canceling or reducing coverage you want to be sure that is what you want to do. In most cases that decision is irreversible. It is wise to speak to a life insurance professional that is familiar with Federal Benefits for guidance.

Chapter 6
Thrift Savings Plan In Retirement

Thrift Savings Plan Withdrawal Options

When it comes to withdrawing funds from the TSP, there are several options to consider, each with its own implications and benefits. Here's a concise explanation of the TSP withdrawal options:

Full Withdrawal

With this option, you can withdraw the entire balance of your TSP account as a lump sum. This provides immediate access to all your funds, but it's important to note that the withdrawn amount will be subject to federal income tax. If you're under the age of 59½, an additional 10% early withdrawal penalty may apply unless you meet certain exceptions.

Partial Withdrawal

Instead of taking out the entire balance, you have the choice to make a partial withdrawal. You can specify a dollar amount or percentage to withdraw, leaving the remaining balance in your TSP account. Similar to the full withdrawal option, taxes and potential penalties may apply based on your age and the withdrawal amount.

Monthly Payments

This option allows you to receive regular monthly payments from your TSP account. You can select between two methods:

Fixed Dollar Amount: You can choose a specific dollar amount to receive each month. The TSP will calculate the payment based on your account balance and life expectancy. Keep in mind that this method does not account for potential market fluctuations or inflation.

Life Expectancy: With this method, your monthly payments are determined by dividing your TSP account balance by your life expectancy. The TSP provides life expectancy tables to calculate the amount. The advantage of this option is that it adjusts the payments annually based on the changes in your account balance, which provides some protection against inflation.

Annuity

An annuity offers a guaranteed stream of income from your TSP account for life. The TSP provides two types of annuities:

a. Single Life Annuity: This option provides a monthly payment for your lifetime only. However, it ceases upon your death, and no further payments are made to any beneficiary.

b. Joint Life Annuity: With this choice, you receive monthly payments for your lifetime, and after your death, a reduced payment continues to your designated beneficiary (usually your spouse) for their lifetime.

It's essential to carefully evaluate the terms, costs, and inflation protection offered by TSP annuities compared to those available from private insurers. Annuities are irreversible, so it's crucial to consider your long-term financial needs before selecting this option.

Transfer To An IRA or Other Retirement Plan

If you're leaving federal service, you can transfer your TSP funds to an Individual Retirement Account (IRA) or an eligible employer-sponsored retirement plan. This allows you to continue deferring taxes on your savings and maintain control over your investment choices. By transferring to an IRA, you gain access to a broader range of investment options.

Leaving Money In The TSP

If your TSP account balance is above a certain threshold (currently $200), you can choose to leave your funds in the TSP even after you've separated from federal service. By doing so, your savings will continue to grow tax-deferred, and you can still make interfund transfers within the TSP. However, you won't be able to make additional contributions.

Combination Of Options

You have the flexibility to combine different withdrawal methods based on your specific needs. For example, you could take a partial withdrawal to cover immediate expenses and transfer the remaining balance to an IRA for long-term growth.

It's important to stay informed about any updates or changes to the TSP withdrawal rules. Reviewing the official TSP website, consulting the latest guidance, and seeking professional financial advice are recommended to make well-informed decisions tailored to your individual circumstances.

Chapter 7

8 milestone ages for Federal Employee Retirement Planning.

When it comes to preparing for retirement, there are eight ages that every Federal employee should know about. Knowing what each milestone age means will help you, the Federal Employee, plan more efficiently. Hopefully this will help you be prepared, maximize your benefits and avoid potential financial mistakes.

Age 50

Statistically this is the age most people begin serious retirement planning. It is never too early to start planning and hopefully you have begun saving and planning many years before age 50. At age 50 though is where I find most people really get serious about it. Due to the fact that not everyone planned efficiently or were able to save prior, the IRS has allowed people 50 years old or older contribute more to their retirement plans. This is called the catch up provision. Federal Employees who reach this age and beyond are able to contribute an additional $7,500 to their TSP. If you haven't saved much in your TSP you may want to take advantage of this option.

For Federal Employees who are special provision such as Law Enforcement, Air Traffic Control or Firefighter, this is the age you can retire with 20 years or more of service. Also, with new legislation that just passed, special provisions will be able to access their TSP penalty free if you retire with an un-reduced pension. Special Provisions retire with an unreduced pension at any age with 25 years of service or age 50 with 20 years of service. So, you would be able to pull from your TSP (not IRAs) without paying the 10% penalty if you hit either of those requirements.

Age 55

For most Federal Employees age 55 is when you would be first eligible to retire with a full unreduced annuity if you have 30 years of service. For CSRS you can retire at age 55 with 30 years of service. For FERS if you have 30 years, you can retire at your Minimum Retirement Age between age 55 and 57 depending upon your year of birth (see chart below). If are eligible to retire at your MRA with an un-reduced pension, you are also eligible for the FERS Supplement. If you aren't able to retire at this age, retirement is growing ever closer. This is an age to consider are you able to contribute even more to your TSP?

If you were born in	Your MRA is
1947 or earlier	55 years
1948	55 years, 2 months
1949	55 years, 4 months
1950	55 years, 6 months
1951	55 years, 8 months
1952	55 years, 10 months
1953 to 1964	56 years
1965	56 years, 2 months
1966	56 years, 4 months
1967	56 years, 6 months
1968	56 years, 8 months
1969	56 years, 10 months
1970 or later	57 years

Another milestone that age 55 brings is the potential to access your TSP without the 10% penalty. If you retire or separate from service the year you are turning 55 or older, you can access the TSP without paying an additional 10% penalty. Retirement accounts like IRAs have a 10% penalty until age 59.5 for most withdrawals.

Another important thing to consider at age 55 is your Life Insurance options. At age 55 your FEGLI Option B premium is going to double from the previous age band. This is the time to consider a few questions. Do I still need life insurance? If so, how long do you want to have life insurance? Do you want life insurance in retirement or just during your working years? Have I looked at all my life insurance options including outside individual policies?

Age 59.5

The infamous age of fifty nine and a half is when you are able to access all of your retirement accounts such as your TSP and IRAs without paying a 10% withdrawal penalty. If you're still working, at 59.5 years old Federal Employees also have access to a TSP benefit called an Age Based In Service Withdrawal. This benefit allows lump sum withdrawals from your TSP even though you are working. You can withdraw some or all of your TSP. You can pull out the money and pay taxes on it, or you have the option to roll your TSP into another retirement account like an IRA.

Age 60

The young age of 60 is when Federal Employees are able to retire with 20 or more years of service. If you're FERS and thinking of retiring at age 60, make sure you have someone calculate what you would receive at age 62 before you decide to leave at 60. In some cases, holding on for two more years could be worth several hundred dollars more pension benefit per month due to a higher computation. Knowing those figures will help you decide the best age to retire. You can ask yourself if it is worth hanging on for two more years to get a higher pension for the rest of your life. If you retire at age 60 with 20 or more years of service under FERS, you will also be able to draw the FERS special supplement until age 62.

At 60, your FEGLI premiums are a little more than double what they were in the previous age band. Remember, they doubled at age 55 and now they have doubled again. If you did not look at your life insurance options at age 55, this might be a time to take a very close look at your life insurance choices, and make sure you look at your survivor benefit options on your pension also as you are likely close to retirement.

Age 62

A lot happens and needs to be considered at age 62. A Federal Employee is able to retire at age 62 with five or more years of service. If you're a FERS employee and you have 20 or more years of service, then you get a slightly higher computation of 1.1% instead of 1% for each credible year of service. That might not sound like a lot and in some cases it isn't, but in some cases it can be a significant amount. For example, if you have 30 years of service when reaching age 60 that means 3% more of your High-3 for the rest of your life.

Age 62 is also when a Federal Employee is first eligible for Social Security. For FERS, Social Security is a big part of your retirement. Although you're eligible to take Social Security at 62 you do not have to take your benefit. You can delay your Social Security until an older age and receive a higher benefit. What I recommend to everyone is to go to www.ssa.gov and create an account. On their site you will be able to see what benefit you would receive at each age, and that will also assist in your planning.

Age 65

At age 65, most Federal Employees are eligible for Medicare and you will automatically be enrolled in Part A of Medicare. There is no premium for Part A, if you paid Medicare taxes over your career. Part B is the part where you will have to pay a premium if you elect to get it. See www.medicare.gov for current premiums for Part B.

One of the most common questions I get when my clients reach this age is why do I need Medicare when I already have FEHB? If you elect Medicare Part A and Part B, then Medicare becomes your primary insurance and your FEHB is your secondary. In many cases, your current FEHB plan will have even lower out of pocket costs to you. For example, there could be lower or no cost for deductibles or co-pays. There are a few important disclaimers here though. The first is if you are retired and you elect not to get Part B of Medicare, you will pay a penalty later on if you elect to receive it at an older age. Secondly, if you're still working at 65 or older with health coverage, you can elect not to get Part B and acquire it when you retire with no penalty. My final disclaimer is one I see too often, if you want to keep your FEHB with your Medicare do not sign up for another Medicare Health plan like Medicare Advantage or Part D prescription coverage. You will be paying for coverage you don't need and in some cases you could lose your FEHB forever. An even safer route is to speak with someone who knows your options before making an important decision.

Age 66

Age 66 is potentially your Full Retirement Age with Social Security. As the chart below shows, your full retirement age will be between age 66 and 67, depending on your year of birth. Your full retirement age is when you can receive a higher Social Security benefit but also when you do have not have a wage earnings test. That means if you do not plan on retiring or you have earned wages from somewhere, you are able to earn whatever you want without reducing your Social Security. As I mentioned previously, I recommend creating the account on www.ssa.gov to see your full retirement age and what your benefit would be at when you reach it.

Year of Birth *	Full Retirement Age
1943--1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Age 70

Age 70 is your highest possible benefit you can receive from Social Security. If you haven't started Social Security yet, it's time for that to kick in. There's no reason to wait longer. At age 70.5 it used to be the age you were required to start pulling something from your TSP and other retirement accounts. That has changed to age 73 as of January 2023, and is being pushed back even more with the Secure Act 2.0 to age 75 in 2033. Generally, you must pull the minimum amount for the year, or you could face hefty penalties. If you have a TSP and you are still employed by the Federal Government, you do not have to pull your RMDs from the plan until you retire but you must pull from individual IRAs etc.

This roadmap to aging will hopefully help you better understand some of the stops along the way. As you reach each milestone, I recommend you review your retirement goals and if possible, meet with someone who knows the Federal System who can be your compass to guide you along the way.

Chapter 8

Conclusion

FERS retirement planning is complex and is unique to every individual situation. This guide helps direct you in a path that only you can choose to walk and which direction to take. It is highly recommended by the authors you also meet with a guide. A knowledgeable financial professional that knows the federal retirement system with experience. If you don't know anyone, you can seek out our assistance at the website below and we'd be happy to do our best to assist you. We hope you have an amazing retirement and hope this great tool was useful in your planning.

Jesse Black and Steven Puckett
Fedwise Retirement Planners
www.FedWiseRetirement.com

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7395 E Orchard Rd, Greenwood Village, CO 80111
23131 N Lake Pleasant Parkway Suite 109 Peoria AZ 85383