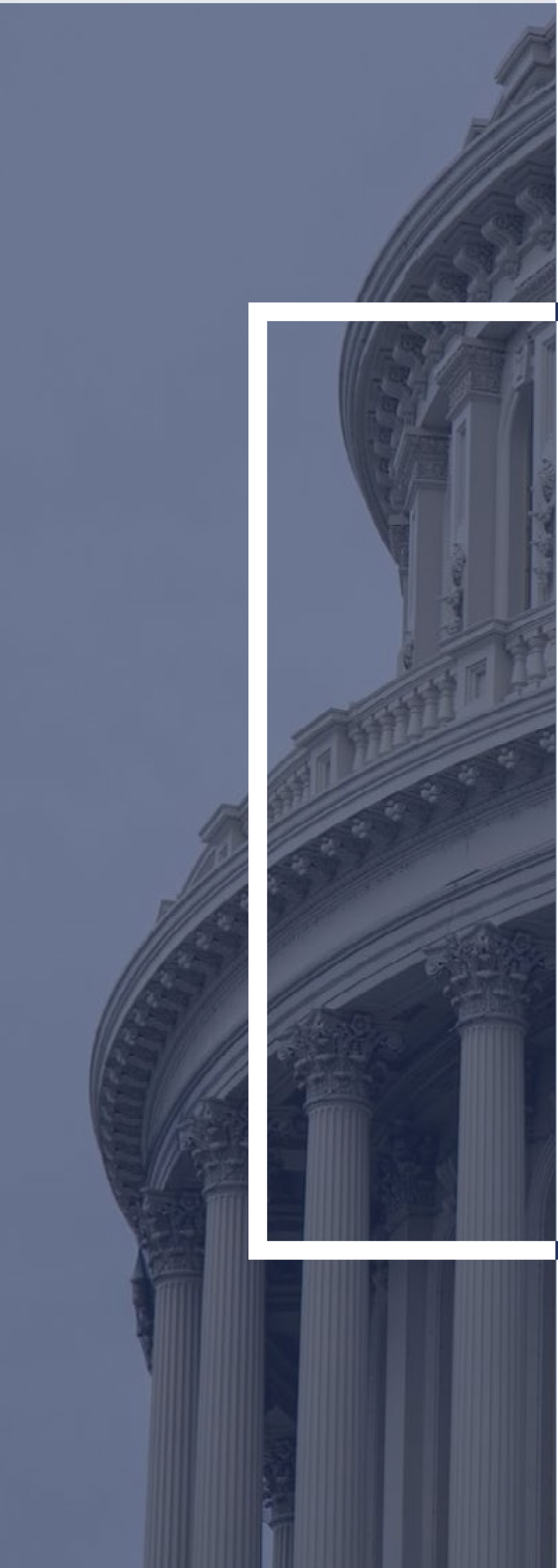

THE RETIREMENT GUIDE FOR FEDERAL EMPLOYEES

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WHY YOU SHOULD READ THIS GUIDE IF YOU'RE A FEDERAL EMPLOYEE

If you're a federal employee and nearing retirement, you're probably starting to ask yourself what you need to do to ensure a smooth and successful transition from employee to retiree.

As a federal employee, your retirement benefits are different than non-federal employees.

We're the Experts in Federal Employee Retirement Planning

When it comes to Federal Employee benefits and retirement planning, don't trust just anyone. My Federal Plan is dedicated to helping you maximize benefits and retire with peace of mind.

We put this guide together to help you answer some of the most important questions about your FERS pension and TSP account, how to address inflation, and how to plan an early Retirement.

You'll learn some important strategies regarding how and when to withdraw from your TSP account, how to maximize your FERS pension, and what is needed for an early retirement.

LET'S GET STARTED!

CONTENT

WHAT IS THE FEDERAL EMPLOYEES' RETIREMENT SYSTEM (FERS) AND HOW DOES IT WORK?

Unless you are a government employee, you've likely never heard of the Federal Employees Retirement System (FERS), but if you work in the public sector or plan to in the near future, FERS is an acronym you will soon know well.

The Federal Employees Retirement System, or FERS, is the retirement plan for all U.S. civilian employees. The plan covers all employees in the executive, judicial, and legislative branches of the federal government.

FERS, however, does not cover military personnel or employees of state or local governments. Employees under FERS receive retirement benefits from three sources: the basic benefit plan, Social Security, and the Thrift Savings Plan, or TSP.

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BASIC BENEFIT PLAN

The basic benefit plan is a pension in which the employee receives a set amount, regardless of the amount they have contributed. The amount depends on the length of service and the "high-3" average. "High-3" refers to the highest three consecutive years of service. Often, those are the last three years you worked, but if you held a higher paying position earlier in your career, your high three could be during that time.

This calculation only takes into account your basic salary. It does not include overtime, bonuses, or other extra payments. Your years of credible service are reported on the SF-50 form you receive at least once per year.

The formula for the basic benefit plan is as follows:
High-3 Salary x Years of Service x Pension Multiplier = Annual Pension Benefit

Your multiplier will be 1% unless you retire at age 62 or older with at least 20 years of service, at which point your multiplier would be 1.1%, the equivalent of a 10% raise.

One of the biggest mistakes that FERS federal employees make when calculating their pension is that they calculate their gross pension and forget to think about their NET pension. Your net pension is the amount of money that you will actually be getting from the government after taxes and all the reductions get taken out.

SOCIAL SECURITY

Unlike some public pension plans, employees covered under FERS pay into the Social Security fund at the same rate as private employees. Anybody paying into Social Security will pay 6.2% of earnings with the agency matching the contribution.

If you were born in 1975, earn $50,000 per year, and plan to retire at age 65, your estimated payments would be about $3,000 per month adjusted for inflation.

THRIFT SAVINGS PLAN (TSP)

Congress established the TSP in 1986 and it offers the same types of tax benefits and savings as a 401(k).

Each pay period, the agency you work for deposits 1% of your basic pay into your TSP. On top of that, you have the option of making additional contributions, which your agency will match dollar for dollar up to 3% and 50 cents on the dollar for the next 2%.

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TYPES OF RETIREMENT

DISABILITY RETIREMENT

If you have completed at least 18 months of service and meet the requirements for disability, you may receive benefits from all three parts of your retirement plan.

EARLY RETIREMENT

Early retirement can include retiring at the federal minimum retirement age (MRA), which, for anybody born after 1969, is 57 years old. It can also include early retirement due to a reduction in force or discontinued service because of involuntary separation.

VOLUNTARY RETIREMENT

Traditional retirement provides you with full benefits provided you meet all requirements.

DEFERRED RETIREMENT

This type of retirement is for former federal employees covered by FERS.

HOW DO YOU RECEIVE BENEFITS?

The Office of Personnel Management provides helpful information that covers the steps you need to take to prepare for retirement five years prior to the projected date. Once you are within two months of your retirement date, complete the required application found on the OPM website. The responsible agencies will work with you to complete the application and ensure that you begin receiving Benefits soon after your retirement date.

THE BOTTOM LINE

Employees eligible for FERS receive benefits from three separate plans. In a world where pensions are being discontinued by corporations and governments, FERS is still seen as one of the best retirement packages available.

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Learn more about how you can access personal financial advice and start the conversation by clicking here or go to https://myfederalplan.com/consultation/ to schedule your complimentary retirement planning session.

OPTIONS FOR YOUR TSP ACCOUNT AT RETIREMENT

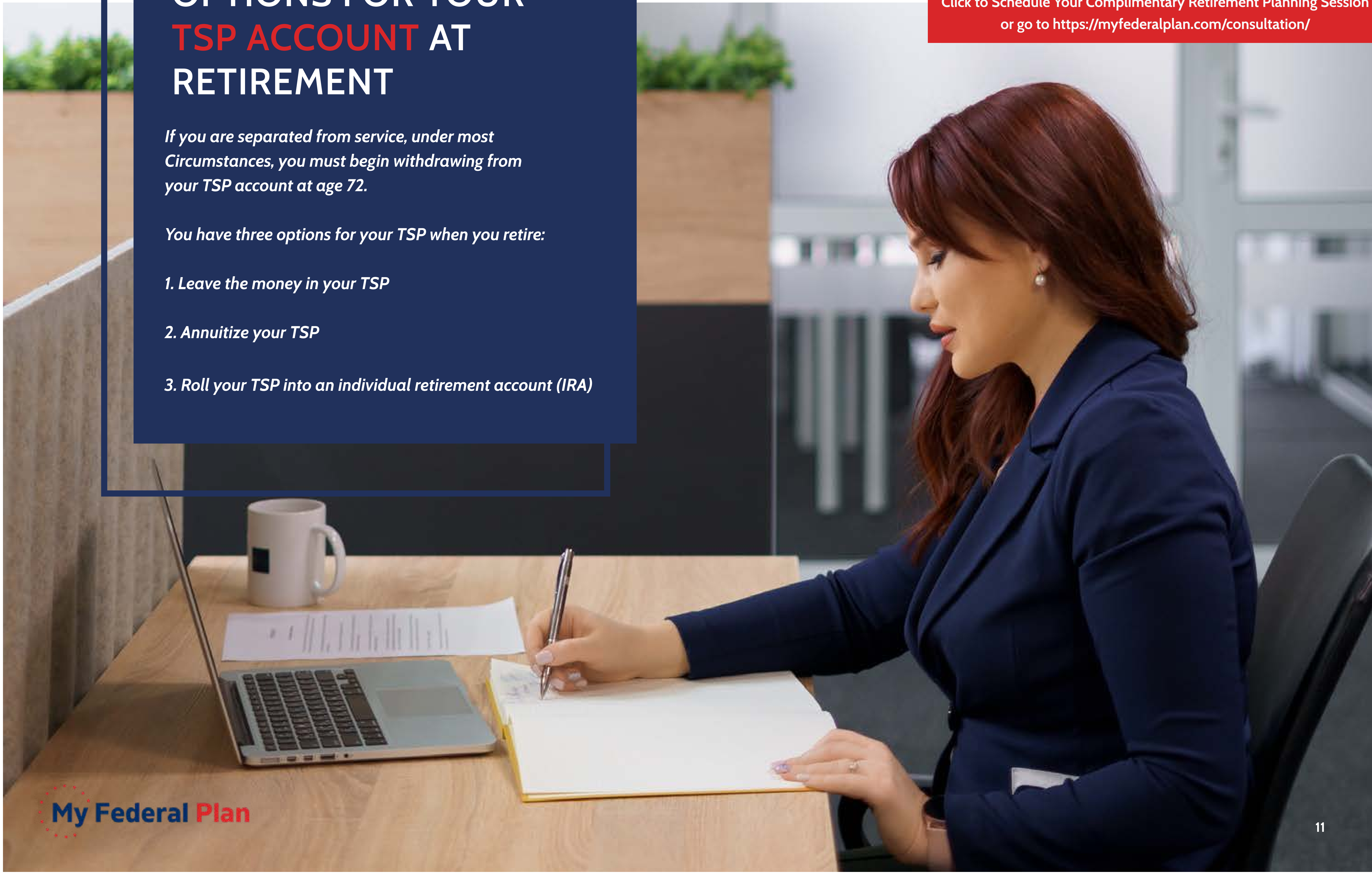
If you are separated from service, under most Circumstances, you must begin withdrawing from your TSP account at age 72.

You have three options for your TSP when you retire:

1. Leave the money in your TSP

2. Annuitize your TSP

3. Roll your TSP into an individual retirement account (IRA)



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ONE: LEAVE YOUR MONEY AT TSP

The benefits of leaving your money in the TSP are that the fund options are low-cost and straightforward. Once you reach age 72, if you are separated from service, you'll need to begin taking withdrawals from your TSP account.

The Internal Revenue Code (IRC) requires that you receive a portion of your TSP account beginning in the calendar year when you become age 72 and are separated from service. The portion is called a Required Minimum Distribution (RMD).

RMDs are based on your account balance and your age using the IRS Uniform Lifetime Table.

When you are assembling sources of income to cover your retirement needs, you need to ensure you include required distributions from the TSP as one of the income sources.

You'll also want to account for the fact that any pre-tax contributions you're withdrawing will be taxed as income and will likely increase your federal and state taxes accordingly.

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TWO: ANNUITIZE YOUR TSP

WHAT IS AN ANNUITY?

Annuities offer consistency of payments that can guarantee you always have money on hand for the rest of your life.

An annuity provides the greatest security for longevity risk, meaning that it will continue to pay you even if you live to be 150. Basically, your TSP assets turn into an investment that will provide you with a steady stream of monthly income in your retirement.

An annuity is a program sold by financial institutions who take your funds and grow them in preparation for your retirement. An annuity provides a monthly "pay-check" for an indefinite amount of time. The annuity is funded during the "accumulation phase," which starts after you purchase the annuity, and the "annuitization phase," which is when the payments start.

Retirees too often start spending their retirement check quickly, living outside their means. This leaves them without any assets if they live past the years they budgeted for. To mitigate this risk, an annuity trades this lump sum for a series of monthly payments.

ADVANTAGES:

- *Deferred taxes*
- *No early withdrawal penalties*
- *Not limited to amount of money you invest*
- *Can do a partial roll-over from TSP to annuity*
- *Heirs may be able inherit a portion of your annuity*
- *Can't outlive your plan*
- *Guarantees income stream for retried life*

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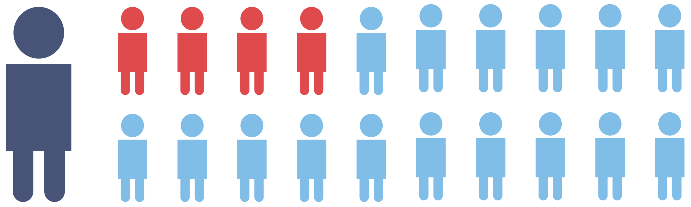
Annuities are contracts that work as insurance against outliving your savings while providing protection against market drops. Annuity payments can be paid out Immediately or deferred over time, which can span from 10 years to the Remainder of your or your beneficiary's life.

Because they are contracts, annuities can also be customized to meet your specific needs and fit your objectives and comfort level with risk.

You can choose to purchase a fixed annuity, which defines the payments the beneficiary will receive exactly ahead of time in the contract. Or you can purchase a variable annuity with the potential for higher, or lower, payments, depending on the performance of a traditional investment portfolio. Or, combine the benefits of both with an indexed annuity that provides both protetion against loss while offering participation in upward market movements.

If you're nearing retirement and need to ensure you can pay your living expenses after you've stopped working, or if living with the risk of market fluctuations isn't something you want exposure to, you should consider if an annuity is right for you.



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THERE ARE MANY OPTIONS WHEN LOOKING AT ANNUITIES TO FIT YOUR GOALS

With an annuity, you may be able to choose from a range of benefit options, available for an additional cost, to help customize your annuity to best suit your goals and needs. Benefit options can address things like how and when you take income, whether your spouse or loved ones are covered as well, how much income you get, and what it costs.

The costs of annuities will vary based on the benefits you choose. Annuities meet many different needs and often can be customized with benefits for an additional cost. Like buying a car or house, you select the features that are most important and valuable to you.

It is important to work with a knowledgeable financial professional who can help you determine if the benefits make sense according to your goals and needs. Your financial professional will be able to provide you with a “personalized illustration.” This document includes any annuity fees you would pay, along with the benefits the annuity will offer.

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First, you must choose between single or joint annuity.

A *single life* annuity provides level or increasing payments to you, the single annuitant, as long as you live.

A *joint life* annuity provides monthly payments to you and a partner who has an insurable interest in you, like a spouse or financially dependent family member. In the case of death of one individual in the joint life annuity, payments for the survivor continue. This can be 100% or 50% survivor annuity.

A *100% survivor* annuity means that the survivor will receive the same monthly payments as when both members of the annuity were alive. A 50% survivor annuity will pay only half of the monthly annuity payment to the survivor. Generally, the monthly payment when both are still alive is higher for the 50% survivor annuity.

For example, you and your wife have a joint life annuity. Each month you get paid $2,000. Your wife unfortunately passes away. If you have a 100% survivor annuity, you would continue to receive $2,000 every month after her death. If you have a 50% survivor annuity, you would receive $1,000 every month.

Next, you must decide if you want level or increasing payment options.

Level payments mean that the amount of your monthly payment stays the same year to year. Increasing payments mean that your payments can increase each year on the anniversary date of your plan. This increase is based on inflation, as measured by consumer price increase. Don’t worry, unless you have a variable annuity, your annuity level can’t decrease or stop based on changes in the market, though.

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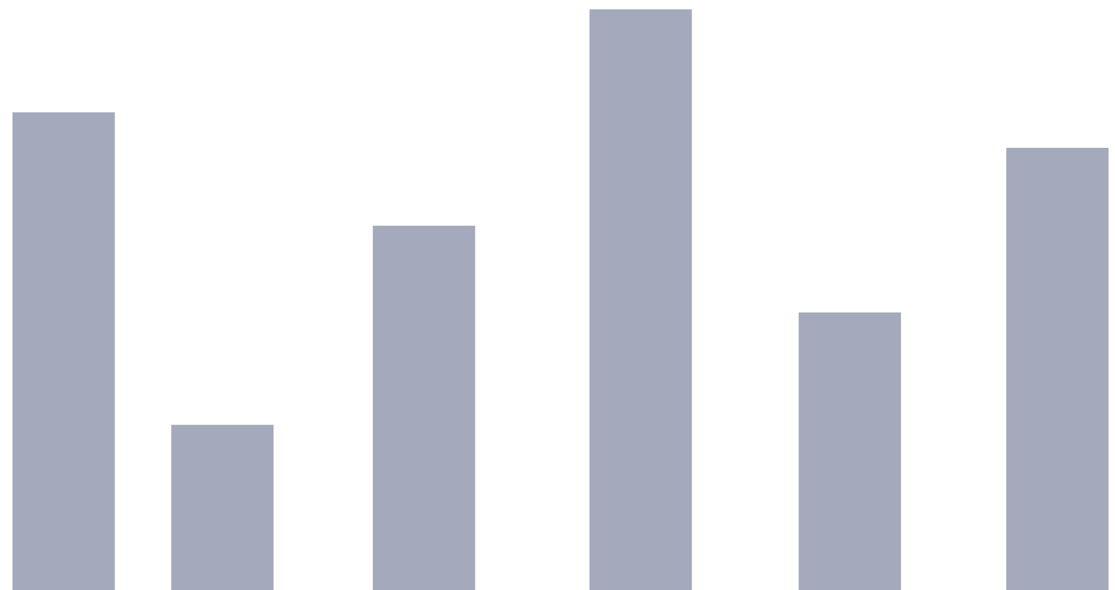

THREE: ROLL YOUR TSP INTO AN IRA

If you decide to roll over your TSP assets to an IRA, you can choose either a traditional IRA or Roth IRA. No taxes are due if you roll over assets from a traditional TSP account to a traditional IRA, or if you roll over your contributions and earnings from a Roth TSP account to a Roth IRA. But if you decide to move from a traditional plan to a Roth IRA, you will have to pay taxes on the roll-over amount you convert. It's a good idea to consult with your plan administrator, as well as financial and tax professionals about the tax implications of each option.

The pros of rolling your TSP into an IRA include slightly more flexibility in terms of withdrawing your money and a greater breadth of investment options.

If cost is your primary concern but you need greater flexibility in terms of withdrawals, you could roll your TSP funds into an IRA and replicate your TSP investments using low-cost index funds.

To learn more about the best options for your TSP at retirement, please click here.

THE BEST TIME TO WITHDRAW FROM YOUR TSP ACCOUNT

DELAYING WITHDRAWALS FROM YOUR TSP

If you don't need the funds from the TSP early in retirement, delaying drawing on the TSP can offer two advantages. First, those funds remain invested, allowing their value to grow with the market.

Second, any withdrawals attributed to pre-tax contribution or growth are taxable as income, so by delaying those withdrawals, you are delaying your tax liability. This tax advantage is even greater if your tax bracket when you ultimately do begin drawing from the TSP is lower than your tax bracket in early retirement.

Remember, though, you are required to take money out of your TSP once you reach age 72, and the amount you are required to withdraw (known as the required minimum distribution or RMD) is based on both your age and the value of your TSP account.

Can you make *early* withdrawals?

Occasionally, clients need to take funds from their TSP account before they retire.

These types of withdrawals are known as in-service withdrawals, and tax rules for these withdrawals are identical to the rules for an IRA. Anytime you withdraw from the TSP, the taxable portion is taxed as income, and if you take money out of your TSP before you're 59½ and haven't separated from service, there's an extra 10% penalty on top of that.

Lastly, if you make a financial hardship in-service withdrawal, you can't make a contribution for the following six months and any matching contribution will also cease.

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USING THE UNIFORM LIFETIME TABLE

To calculate the amount you must take from your TSP account, most account holders will use the Uniform Lifetime Table, which is produced by the IRS. The table below provides a distribution period that is based on the maximum age you reach in a given year, and you divide the balance of your TSP account as of 12/31 of the preceding year by the distribution period.

Let's assume you turn 72 in 2021. To calculate the required minimum distribution for that year, you would divide the balance of the TSP account on 12/31/20 by 25.6, which is the distribution period associated with turning 72. So, for the year, you would need to take about 3.9% of the TSP account's value, and the RMD percentage climbs each year after that.

UNIFORM LIFETIME TABLE FOR CALCULATING MINIMUM DISTRIBUTIONS

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	86	14.1	102	5.5
71	26.5	87	13.4	103	5.2
72	25.6	88	12.7	104	4.9
73	24.7	89	12.0	105	4.5
74	23.8	90	11.4	106	4.2
75	22.9	91	10.8	107	3.9
76	22.0	92	10.2	108	3.7
77	21.2	93	9.6	109	3.4
78	20.3	94	9.1	110	3.1
79	19.5	95	8.6	111	2.9
80	18.7	96	8.1	112	2.6
81	17.9	97	7.6	113	2.4
82	17.1	98	7.1	114	2.1
83	16.3	99	6.7	115+	1.9
84	15.5	100	6.3		
85	14.8	101	5.9		

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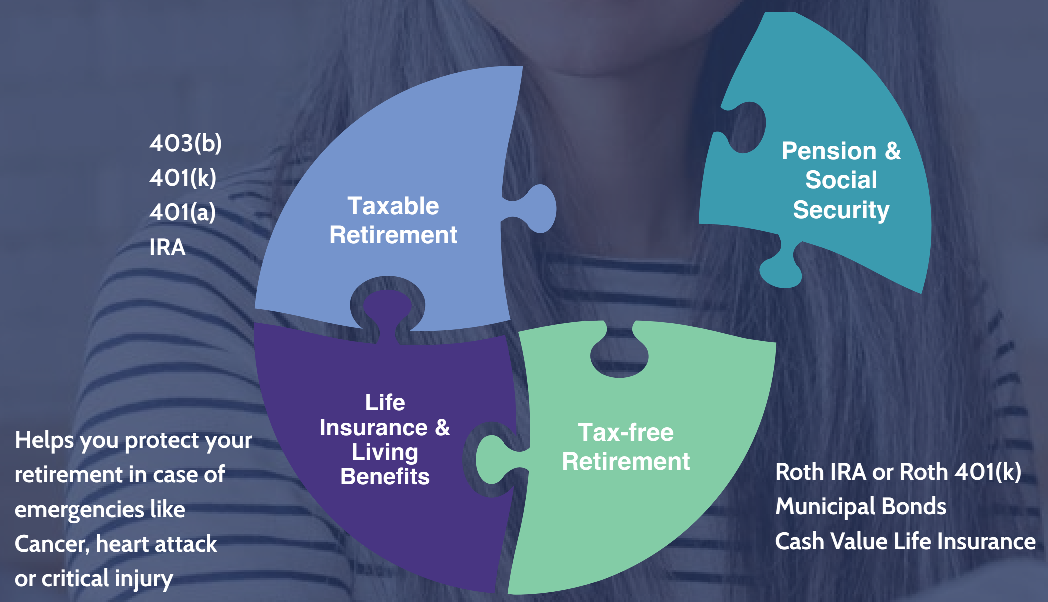
YOUR BEST OPTIONS FOR YOUR FERS PENSION

We look at retirement planning as four pieces that make up one puzzle. All four of these parts work together to help acheive the retirement that you want and deserve.

The four pieces to the Retirement Circle are:



PENSION AND SOCIAL SECURITY

These are the guaranteed portion of your retirement income.

TAXABLE RETIREMENT ACCOUNTS

These may include your 403(b), 457, 401K, RIA and other taxable investment accounts you may have.

TAX-FREE RETIREMENT ACCOUNTS

These accounts such as a Roth RIA, Roth 401k, municipal bonds and life insurance.

LIFE INSURANCE & LIVING BENEFITS

This part of the retirement circle helps to secure your retirement income if you fell behind on the first three parts so you can still have the retirement income you need.

EXPENSES

Where do you start?

One of the key points in planning for retirement is understanding your likely expenses. When it comes to a retirement budget, we typically split a retirement budget into three categories as follows:

1. Regular, ongoing spending
2. One-time expenses
3. Healthcare expenses

Also, you'll want to try to accurately forecast taxes, too. The FERS basic benefit and the FERS supplement are all taxable income when it comes to Federal taxes. Pre-tax withdrawals from the TSP fall in that category, too, as in most cases does some percentage of your Social Security income.

Taxation at the state level varies from state-t-state, and some states offer partial or full exemptions for retirement income while others have no income tax at all. Lastly, there are strategies to reduce the total income tax you pay over the course of retirement. Whether these strategies - like Roth conversions, sequencing withdrawals from specific accounts and asset location - are applicable to you depends upon the specifics of your situation.

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ABOUT US

ABOUT MY FEDERAL PLAN

Federal employees have a variety of benefits available to them including retirement options, health insurance plans, and life insurance choices. The only downside to having a variety of options is not knowing how to choose and trying to decide which are best for you, your family, and your short- and long-term goals. At My Federal Plan, our job is to take away that downside by providing you with expert planning advice.

FEDERAL BENEFIT CHOICES

Our network of agents and financial advisors work every day with public sector employees to understand their government and how they fit into an overall financial and retirement plan. Their job is to provide individualized counseling to learn more about your situation and goals, and review each benefit and make choices that maximize your financial potential and coverage options.

WHY IS THIS IMPORTANT

At My Federal Plan, our goal is to help ensure that your benefit choices are properly selected to help you maintain a healthy situation in the present and to help you plan for a high quality of life throughout retirement.

We look forward to working with you. Connect with one of our benefits experts for a free consultation today.

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SCHEDULE YOUR FREE RETIREMENT PLANNING SESSION

We hope this guide has helped provide you with some of the information you'll need to prepare for your retirement.

If you are a federal government employee our network of financial advisors and licensed financial professionals have the experience needed to help you understand your pension benefits and overall retirement plan.

WE CAN HELP YOU WITH:

- *Federal Employees Retirement System (FERS)*
- *Social Security Planning*
- *Thrift Savings Plan (TSP)*
- *Pension Benefits*
- *Federal Employees' Group Life Insurance (FEGLI)*
- *Private Life Insurance & Annuities*
- *Taxable & Non-Taxable Retirement Investment Accounts*
- *Debt Management*

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