



## FEGLI Choices in Retirement

### Welcome

- » Our audience today
- » Q&A – the ProFeds Support Team standing by
- » Handouts – available for download
- » Recorded – how to get the replay
- » Stay until the end!

## FEGLI Choices in Retirement

### Your ProFeds Presenter



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- » ProFeds Founder
- » Developer of the FedImpact Retirement Workshop
- » Host of the FedImpact Podcast



#### Support Team

- » Standing by for your questions

## FEGLI Choices in Retirement

**FEGLI Choices in Retirement**  
**Keep it, ditch it or customize it in retirement**

## Agenda

- » Explore why many people wish to keep some or all of their life insurance in retirement
- » What FEGLI coverage you are allowed to take into retirement
- » What choices you have to customize that coverage to suit you and your family's needs
- » How you make the election when you plan to retire

# KEEPING LIFE INSURANCE IN RETIREMENT

## Two Truths about Life Insurance

- » Let's face it...
  - Nobody likes talking about it, and
  - Nobody likes paying for it
- » Having the uncomfortable conversation NOW allows us to have proper life insurance in place when we die
- » Ultimately, you get to choose the legacy you leave behind – have the uncomfortable conversation

***The longer you wait, the more expensive it becomes!***

## Two Types of Life Insurance

- » Life insurance products come in two types:
  - Permanent
    - Intended for needs that will always be there (no matter how old you are when you die)
  - Temporary
    - Intended for needs that will only be there for a defined period of your life

## FEGLI Choices in Retirement

### Example of different kinds of needs typically covered by life insurance

<u>Permanent</u>	<u>Temporary</u>
Income	Mortgage
Final Expenses (burial, medical, legal, taxes)	College
Legacy/Gifting	Debt

## FEGLI Choices in Retirement

### Know What Your Insurance Needs Are

- » Don't guess and don't wing it!
- » Objectively and unemotionally think through how much insurance you and your family need if your income were to disappear
- » This is the first step to figure out if you have the right type and amount of insurance in place
- » Avoid rules of thumb that may leave your family under-protected

## FEGLI Choices in Retirement

### FEGLI in Retirement

- » When an employee retires, they must make an election of what happens to each part of FEGLI in retirement:
  - Basic, Option A, Option B, and Option C
  - Keep it all? Keep some of it? Keep none of it?
  - How do premiums change with each choice?
  - Decisions should be made in context with the employee's bigger life insurance strategy

## FEGLI Choices in Retirement

### The FEGLI Trap

- » The FEGLI program looks so good while you are working that you don't ever look at alternatives
- » Until...
  - You get older and the cost continues to rise (even while you're still working)
  - You retire and the cost becomes unbearable to try to keep all of the FEGLI coverage in force
- » To avoid the FEGLI trap, you must be proactive in your life insurance plan long before you retire!

## WHAT PARTS OF FEGLI ARE YOU ALLOWED TO KEEP

### Coverage Amounts and Costs

- » FEGLI was designed to be a “group term” life insurance program (the term: “while you are employed”)
- » It was NOT designed to be kept in retirement
- » To discourage employees from keeping it too long, OPM makes it too expensive to keep all of it
- » While you can cancel/reduce at any time, there is no cash value or refund of premiums paid

### FEGLI 5-Year Rule

- » To be eligible to keep FEGLI coverage in retirement, you must:
  - be retiring on an immediate annuity
    - Deferred (under CSRS or FERS) not eligible
    - MRA+10 (under FERS) who postpone are eligible to resume FEGLI when they begin receiving their annuity
  - be enrolled in Basic (and any options you wish to keep) for the 5 years immediately prior to retirement

### FEGLI options (while employed)

Election	Coverage
<b>Basic</b>	Salary rounded up to the nearest \$1,000 & add \$2,000
<b>Option A</b>	Flat \$10,000
<b>Option B</b> (1-5 multiples)	Salary rounded up to the nearest \$1,000 & multiply by the number of multiples
<b>Option C</b> (1-5 multiples) <i>Covers <u>all</u> eligible family members under one premium</i>	<b>Spouse:</b> \$5,000 multiplied by the number of multiples <b>Children (unmarried):</b> \$2,500 multiplied by the number of multiples; covered until age 22 (& after if disabled prior to age 22)

## FEGLI Choices in Retirement

### FEGLI in Retirement

» You decide how FEGLI changes in retirement

Basic	Option A	Option B	Option C
Keep 100%	<b>Keep 25%*</b> (free at age 65)	Keep 100%	Keep 100%
Keep 50%		<b>Keep 0%*</b>	<b>Keep 0%*</b>
<b>Keep 25%*</b> (free at age 65)		<i>NOTE: a choice is made independently for each multiple under Options B &amp; C</i>	
The selected choices above will take effect at age 65 in retirement.			
*These are the <b>DEFAULT</b> elections if you take no action. Failure to affirmatively elect the proper coverage upon retirement may leave you under-protected.			

## FEGLI Choices in Retirement

### Example of employee (final salary of \$52,250) having and keeping all of FEGLI Basic, Option A and Option B x5 in retirement

Age	Coverage	Cost
Age 54 (pre-retirement)	\$330,000	\$83.33/mo
Age 55 (at start of retirement)	\$330,000	\$254.10/mo
Age 60	\$330,000	\$400.57/mo
Age 65	\$322,500	\$427.20/mo
Age 70	\$322,500	\$668.35/mo
Age 75	\$322,500	\$1,150.65/mo
Age 80	\$322,500	<b>\$1,632.95/mo</b>
Age 87	\$322,500	Premiums Paid > Death Benefit

## FEGLI Choices in Retirement

### FEGLI Limitations

» Know FEGLI's limits:

- Can FEGLI provide the right type of insurance, the right amount of insurance, and at the right price for you?
- FEGLI's inherent limits:
  - While working: there's only so much you can get
  - While retired: it becomes increasingly difficult to afford
- There may be parts of FEGLI which are advantageous to keep

## FEGLI Choices in Retirement

**YOUR CHOICES TO  
CUSTOMIZE FEGLI COVERAGE**

FEGLI Choices in Retirement

**FEGLI Decisions**

- » It is important that you have a clear understanding of your life insurance needs PRIOR to making this irrevocable decision
- » Once FEGLI is dropped in retirement, you will NEVER be permitted to regain coverage
- » Often times, private life insurance options provide greater flexibility (on the amount), and more control on cost (based on the product you choose)

FEGLI Choices in Retirement

**FEGLI Basic coverage—elections in retirement**

Full coverage to age 65, then		Monthly cost (per \$1,000) <u>prior to age 65:</u>	Monthly cost (per \$1,000) <u>after age 65:</u>
<b>75% reduction (DEFAULT)</b>	At 65 (or retirement, if later), coverage reduces 2% per month to 25% of original coverage	(\$.32/k)	Free
<b>50% reduction</b>	At 65 (or retirement, if later), coverage reduces 1% per month to 50% of original coverage	(\$1.035/k)	(\$.710/k)
<b>No reduction</b>	Coverage remains in force	(\$2.455/k)	(\$2.130/k)

FEGLI Choices in Retirement

**FEGLI Basic coverage – elections in retirement**

Full coverage to age 65, then:	<b>75% reduction (DEFAULT)</b> At 65 (or retirement, if later), coverage reduces 2% per month to 25% of original coverage	<b>50% reduction</b> At 65 (or retirement, if later), coverage reduces 1% per month to 50% of original coverage	<b>No reduction</b> Full coverage remains in force
Monthly cost (per \$1,000) <u>prior to age 65:</u>	(\$.325/k) This is the same premium you pay while working	(\$1.035/k)	(\$2.455/k)
Monthly cost (per \$1,000) <u>after age 65:</u>	Free	(\$.710/k)	(\$2.130/k)

FEGLI Choices in Retirement

**FEGLI Basic coverage – elections in retirement**  
Example of employee (final salary of \$52,250) retiring at age 55

Full coverage to age 65, then:	<b>75% reduction (DEFAULT)</b> At 65 (or retirement, if later), coverage reduces 2% per month to 25% of original coverage	<b>50% reduction</b> At 65 (or retirement, if later), coverage reduces 1% per month to 50% of original coverage	<b>No reduction</b> Full coverage remains in force
Monthly cost (per \$1,000) <u>prior to age 65:</u>	<b>\$55,000 (\$18/mo)</b>	<b>\$55,000 (\$57/mo)</b>	<b>\$55,000 (\$135/mo)</b>
Monthly cost (per \$1,000) <u>after age 65:</u>	<b>Reduces to \$13,750 (Free)</b>	<b>Reduces to \$27,500 (\$39/mo)</b>	<b>\$55,000 (\$117/mo)</b>

**FEGLI Choices in Retirement**

**FEGLI Option A coverage – in retirement**

Full coverage to age 65, then monthly cost per \$1,000 based on age:

At age	Automatic 75% reduction	
	At 65, coverage reduces 2% per month until 25% of coverage remains (\$2,500)	
50-54	\$ .238	
55-59	\$.433	
60-64	\$1.300	
65-69	Free	
70-74	Free	
75-79	Free	
80+	Free	

**FEGLI Choices in Retirement**

**FEGLI Option A coverage – in retirement**

Example of employee retiring at age 55

At age	Automatic 75% reduction	
	At 65, coverage reduces 2% per month until 25% of coverage remains (\$2,500)	
50-54	<b>\$10,000 while employed (\$2/mo)</b>	
55-59	<b>\$10,000 (\$4/mo)</b>	
60-64	<b>\$10,000 (\$13/mo)</b>	
65-69	<b>Reduces to \$2,500 (Free)</b>	
70-74	<b>\$2,500 (Free)</b>	
75-79	<b>\$2,500 (Free)</b>	
80+	<b>\$2,500 (Free)</b>	

**FEGLI Choices in Retirement**

**FEGLI Option B coverage – in retirement**

Full coverage to age 65, then monthly cost per \$1,000 based on age:

At age	Full reduction (DEFAULT)		No reduction Coverage remains in force
	At 65, coverage reduces 2% per month for 50 months until no coverage remains		
50-54	\$.238		\$ .238
55-59	\$.433		\$.433
60-64	\$.953		\$.953
65-69	Free		\$1.170
70-74	N/A		\$2.080
75-79	N/A		\$3.900
80+	N/A		\$5.720

**FEGLI Choices in Retirement**

**FEGLI Option B coverage – in retirement**

Full coverage to age 65, then monthly cost per \$1,000 based on age:

At age	Full reduction (DEFAULT)		No reduction Coverage remains in force
	At 65, coverage reduces 2% per month for 50 months until no coverage remains		
50-54	<b>\$265,000 (\$63/mo)</b>		<b>\$265,000 (\$63/mo)</b>
55-59	<b>\$265,000 (\$115/mo)</b>		<b>\$265,000 (\$115/mo)</b>
60-64	<b>\$265,000 (\$253/mo)</b>		<b>\$265,000 (\$253/mo)</b>
65-69	<b>Reduces to \$0 (Free)</b>		<b>\$265,000 (\$310/mo)</b>
70-74	<b>N/A</b>		<b>\$265,000 (\$551/mo)</b>
75-79	<b>N/A</b>		<b>\$265,000 (\$1,034/mo)</b>
80+	<b>N/A</b>		<b>\$265,000 (\$1,516/mo)</b>

FEGLI Choices in Retirement

**FEGLI Option C coverage – in retirement**

Full coverage to age 65, then monthly cost per multiple based on age:

At age	Full reduction (DEFAULT) At 65, coverage reduces 2% per month for 50 months until no coverage remains	No reduction Coverage remains in force
50-54	\$1.99	\$1.99
55-59	\$3.21	\$3.21
60-64	\$5.85	\$5.85
65-69	Free	\$6.80
70-74	N/A	\$8.30
75-79	N/A	\$11.40
80+	N/A	\$15.60

FEGLI Choices in Retirement

**FEGLI Option C coverage – in retirement**

Example of employee (Cx5 with spouse) retiring at age 55

At age	Full reduction (DEFAULT) At 65, coverage reduces 2% per month for 50 months until no coverage remains	No reduction Coverage remains in force
50-54	<b>\$25,000 (\$10/mo)</b>	<b>\$25,000 (\$10/mo)</b>
55-59	<b>\$25,000 (\$16/mo)</b>	<b>\$25,000 (\$16/mo)</b>
60-64	<b>\$25,000 (\$29/mo)</b>	<b>\$25,000 (\$29/mo)</b>
65-69	<b>Reduces to \$0 (Free)</b>	<b>\$25,000 (\$34/mo)</b>
70-74	<b>N/A</b>	<b>\$25,000 (\$42/mo)</b>
75-79	<b>N/A</b>	<b>\$25,000 (\$57/mo)</b>
80+	<b>N/A</b>	<b>\$25,000 (\$78/mo)</b>

FEGLI Choices in Retirement

**MAKING THE ELECTION FOR RETIREMENT**

FEGLI Choices in Retirement

**Before Making the Final Election**


- » PRIOR to making the final election for your FEGLI coverage
  - Do a professional needs assessment
  - Explore private life insurance options
  - Get approval for private life insurance
  - Identify cost-effective parts of FEGLI you wish to keep




## FEGLI Choices in Retirement

### Helpful Documents

- » When you retire, you will make your final FEGLI election on your application to retire

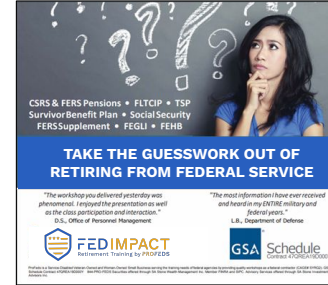
 FEGLI Continuation of Life Insurance Coverage  
**SF-2818**

- » Ensure your beneficiaries are up-to-date

 FEGLI Designation of Beneficiary  
**SF-2823**

## FEGLI Choices in Retirement

### Get the Rest of the Story



- » Attend a workshop:
  - Virtual and live options
  - No cost to attend
  - Covers all of the federal benefit topics and decisions to be made
- » See all the details at:  
[FedImpact.com/Attend](https://FedImpact.com/Attend)

## FEGLI Choices in Retirement

### Handouts and Replay



- » Handouts
  - Download
  - Emailed
- » Replay
  - Link will be emailed to all registered participants

## FEGLI Choices in Retirement

### Next Webinar



- » Next webinar topic!
  - **Maximizing Annual & Sick Leave**  
How to strategize the accrual & carryover of leave to get top dollar
- » Sign-up at:  
[FedImpact.com/Webinar](https://FedImpact.com/Webinar)

**Thank you for  
joining us**

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and news updates



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