



# FEGLI Choices in Retirement

Presented by ProFeds

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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**Support Team**

- Standing by for your questions



**FedImpact**  
Retirement Training  
presented by ProFeds

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

- Nobody likes talking about it, and
- Nobody likes paying for it
- As uncomfortable as it may be to talk about life insurance, the reality is that having that protection in place can mean the difference between financial chaos and peace when that times comes

### 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

**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

**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 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

**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

## What parts of FEGLI you are 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)	Spouse: \$5,000 multiplied by the number of multiples
	Children: \$2,500 multiplied by the number of multiples

### FEGLI in Retirement

- You decide how FEGLI changes in retirement.

Basic	Option A	Option B	Option C
Keep 100%	Keep 25%* (free at age 65)	Keep 100%	Keep 100%
Keep 50%		Keep 0%*	Keep 0%*
Keep 25%* (free at age 65)		NOTE: a choice is made independently for each multiple under Options B & C	
The selected choices above will begin to 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.			

### 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 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

**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**

	<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
<b>Full coverage to age 65, then:</b>			
<b>Monthly cost (per \$1,000) prior to age 65:</b>	(\$.325/k) This is the same premium you pay while working	(\$1.035/k)	(\$2.455/k)
<b>Monthly cost (per \$1,000) after age 65:</b>	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

	<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
<b>Full coverage to age 65, then:</b>			
<b>Monthly cost (per \$1,000) prior to age 65:</b>	\$55,000 (\$18/mo)	\$55,000 (\$57/mo)	\$55,000 (\$135/mo)
<b>Monthly cost (per \$1,000) after age 65:</b>	Reduces to \$13,750 (Free)	Reduces to \$27,500 (\$39/mo)	\$55,000 (\$117/mo)

FEGLI Choices in Retirement

**FEGLI Option A coverage – in retirement**

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

<b>At age</b>	<b>Automatic 75% reduction</b> 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)
At retirement	\$10,000 while employed (\$2/mo)
55-59	\$10,000 (\$4/mo)
60-64	\$10,000 (\$13/mo)
65-69	Reduces to \$2,500 (Free)
70-74	\$2,500 (Free)
75-79	\$2,500 (Free)
80+	\$2,500 (Free)

**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) At 65, coverage reduces 2% per month for 50 months until no coverage remains	No reduction Coverage remains in force
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**  
Example of employee (final salary of \$52,250 & Bx5) 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
At retirement	\$265,000 (\$63/mo)	\$265,000 (\$63/mo)
55-59	\$265,000 (\$115/mo)	\$265,000 (\$115/mo)
60-64	\$265,000 (\$253/mo)	\$265,000 (\$253/mo)
65-69	Reduces to \$0 (Free)	\$265,000 (\$310/mo)
70-74	N/A	\$265,000 (\$551/mo)
75-79	N/A	\$265,000 (\$1,034/mo)
80+	N/A	\$265,000 (\$1,516/mo)

**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
At Retirement	\$25,000 (\$10/mo)	\$25,000 (\$10/mo)
55-59	\$25,000 (\$16/mo)	\$25,000 (\$16/mo)
60-64	\$25,000 (\$29/mo)	\$25,000 (\$29/mo)
65-69	Reduces to \$0 (Free)	\$25,000 (\$34/mo)
70-74	N/A	\$25,000 (\$42/mo)
75-79	N/A	\$25,000 (\$57/mo)
80+	N/A	\$25,000 (\$78/mo)

## 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 & 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)

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