


New FEGLI Premium Changes



New FEGLI Premium Changes

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!

New FEGLI Premium Changes

Your ProFeds Presenter



Chris Kowalik

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



Support Team

- » Standing by for your questions

New FEGLI Premium Changes

New FEGLI Premium Changes

**How lower costs just
got more expensive**

Agenda

- » Review new FEGLI premiums effective 10/1/2021
- » Understand the FEGLI trap and why so many employees get caught in it
- » How to get a handle on life insurance planning as you prepare to retire
- » What NOT to do after today's session

THE BASICS

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

FEGLI options (while employed)

Election	Coverage
Basic	Salary rounded up to the nearest \$1,000 & add \$2,000
Option A	Flat \$10,000
Option B (1-5 multiples)	Salary rounded up to the nearest \$1,000 & multiply by the number of multiples
Option C (1-5 multiples)	Spouse: \$5,000 multiplied by the number of multiples
	Children: \$2,500 multiplied by the number of multiples

FEGLI 5-Year Rule

- » To keep FEGLI in retirement, you must be enrolled in it for 5 years immediately prior to retirement
- » You must also be enrolled in the optional coverage (Options A, B & C) if you wish to keep them in retirement

THE PREMIUMS

Recent Changes

- » The 10/2021 premium changes:
 - THE GOOD NEWS:
Overall, premiums went DOWN while you're working
 - THE BAD NEWS:
Overall, premiums went UP later in retirement
- » We're seeing several payroll processors who have adjusted Optional coverage costs, but not the Basic cost (be prepared for them to deduct back premiums)

While working...

New FEGLI Premium Changes

Monthly FEGLI premiums while employed

At age	BASIC (\$/k)		OPTION A (\$/k)		OPTION B (\$/k)		OPTION C (\$/multiple)	
	OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
<35	\$.3250	\$.3467	\$.043	\$.043	\$.043	\$.043	\$.480	\$.430
35-39	\$.3250	\$.3467	\$.065	\$.043	\$.065	\$.043	\$.590	\$.520
40-44	\$.3250	\$.3467	\$.087	\$.065	\$.087	\$.065	\$.890	\$.800
45-49	\$.3250	\$.3467	\$.130	\$.130	\$.130	\$.130	\$ 1.280	\$.1150
50-54	\$.3250	\$.3467	\$.238	\$.217	\$.238	\$.217	\$ 1.990	\$.1800
55-59	\$.3250	\$.3467	\$.433	\$.390	\$.433	\$.390	\$ 3.210	\$.2880
60-64	\$.3250	\$.3467	\$ 1.300	\$.1300	\$.953	\$.867	\$ 5.850	\$.5270
65-69	\$.3250	\$.3467	\$ 1.300	\$.1300	\$ 1.170	\$.1040	\$ 6.800	\$.6130
70-74	\$.3250	\$.3467	\$ 1.300	\$.1300	\$ 2.080	\$.1863	\$ 8.300	\$.8300
75-79	\$.3250	\$.3467	\$ 1.300	\$.1300	\$ 3.900	\$.3900	\$ 11.400	\$.12480
80+	\$.3250	\$.3467	\$ 1.300	\$.1300	\$ 5.720	\$.6240	\$ 15.600	\$.16900

New FEGLI Premium Changes

Example of Calculations While Employed

EXAMPLE: Employee is age 54 with a salary of \$52,250/year

Election	Coverage	Cost
Basic	\$55,000	55 x .3467 = \$19.07/mo
Option A	\$10,000	10 x .217 = \$2.17/mo
Option B (5 multiples)	\$265,000	265 x .217 = \$57.51/mo
Option C (5 multiples)	Spouse: \$25,000	5 x 1.800 = \$9.00/mo
	Each child: \$12,500	

New FEGLI Premium Changes

In retirement...

New FEGLI Premium Changes

FEGLI Basic coverage – elections in retirement

Full coverage to age 65, then		Monthly cost (per \$1,000) prior to age 65:	Monthly cost (per \$1,000) after age 65:
75% reduction (DEFAULT)	At 65 (or retirement, if later), coverage reduces 2% per month to 25% of original coverage	OLD: \$.3250/k NEW: \$.3467/k	OLD: Free NEW: Free
50% reduction	At 65 (or retirement, if later), coverage reduces 1% per month to 50% of original coverage	OLD: \$1.035/k NEW: \$1.0967/k	OLD: \$.710/k NEW: \$.750/k
No reduction	Coverage remains in force	OLD: \$2.455/k NEW: \$2.5967/k	OLD: \$2.130/k NEW: \$2.250/k

New FEGLI Premium Changes

Premiums effective 10/2021

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)	
	<u>OLD</u>	<u>NEW</u>
50-54	\$.238	\$.217
55-59	\$.433	\$.390
60-64	\$1.300	\$1.300
65-69	Free	Free
70-74	Free	Free
75-79	Free	Free
80+	Free	Free

New FEGLI Premium Changes

Premiums effective 10/2021

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	
	At 65, coverage reduces 2% per month for 50 months until no coverage remains		Coverage remains in force	
	<u>OLD</u>	<u>NEW</u>	<u>OLD</u>	<u>NEW</u>
50-54	\$.238	\$.217	\$.238	\$.217
55-59	\$.433	\$.390	\$.433	\$.390
60-64	\$.953	\$.867	\$.953	\$.867
65-69	Free	Free	\$1.170	\$1.040
70-74	N/A	N/A	\$2.080	\$1.863
75-79	N/A	N/A	\$3.900	\$3.900
80+	N/A	N/A	\$5.720	\$6.240

New FEGLI Premium Changes

Premiums effective 10/2021

FEGLI Option C coverage — in retirement
Full coverage to age 65, then monthly cost per multiple based on age:

At age	Full reduction (DEFAULT)		No reduction	
	At 65, coverage reduces 2% per month for 50 months until no coverage remains		Coverage remains in force	
	<u>OLD</u>	<u>NEW</u>	<u>OLD</u>	<u>NEW</u>
50-54	\$1.99	\$1.80	\$1.99	\$1.80
55-59	\$3.21	\$2.88	\$3.21	\$2.88
60-64	\$5.85	\$5.27	\$5.85	\$5.27
65-69	Free	Free	\$6.80	\$6.13
70-74	N/A	N/A	\$8.30	\$8.30
75-79	N/A	N/A	\$11.40	\$12.48
80+	N/A	N/A	\$15.60	\$16.90

New FEGLI Premium Changes

Example of Calculations In Retirement

EXAMPLE: Employee is age 54 with a salary of \$52,250/year

Election	Coverage	At 65...	Initial Cost at Retirement
Basic	\$55,000	75% reduction	55 X .3467 = \$19.07/mo
		50% reduction	55 X 1.0967 = \$60.32/mo
		No reduction	55 X 2.5967 = \$142.82/mo
Option A	\$10,000	75% reduction	10 X .390 = \$3.90/mo
Option B (5 multiples)	\$265,000	100% reduction	265 X .390 = \$103.35/mo
		No reduction	265 X .390 = \$103.35/mo
Option C (5 multiples)	Spouse: \$25,000	100% reduction	5 X 2.88 = \$14.40/mo
	Each child: \$12,500	No reduction	5 X 2.88 = \$14.40/mo

THE TRAP

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

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	\$78.75/mo
Age 55 (at start of retirement)	\$330,000	\$250.07/mo
Age 60	\$330,000	\$385.58/mo
Age 65	\$322,500	\$399.35/mo
Age 70	\$322,500	\$617.45/mo
Age 75	\$322,500	\$1,157.25/mo
Age 80	\$322,500	\$1,777.35/mo
Age 87	\$322,500	Premiums Paid > Death Benefit

THE PLANNING

New FEGLI Premium Changes

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!

New FEGLI Premium Changes

The Role of Life Insurance

- » Life insurance makes money magically appear when you die and is typically designed for:
 - Providing continued income
 - Final expenses / Debt payoff
 - Leaving a financial legacy
- » Life insurance can also be used to design a more sophisticated tax strategy for income in retirement

New FEGLI Premium Changes

Considerations	Government FEGLI	Private Life Insurance
How to qualify?	automatic when first hired; then must medically qualify or experience a qualifying life event	must be healthy enough to qualify
Coverage available?	amount is limited (based on salary)	amount is unlimited & can include features like cash value, living benefits & long-term care benefits
How is it paid for?	paid from paycheck or pension; cost increases depending on options selected	typically paid monthly; cost could be level or increasing
Who can be the beneficiary?	any person or entity you wish	any person or entity you wish
How is it paid out (upon death)?	lump-sum at time of death	lump-sum at time of death
How is it taxed?	Premiums: paid with after-tax \$ Payout: tax-free to beneficiary	Premiums: paid with after-tax \$ Payout: tax-free to beneficiary

New FEGLI Premium Changes

WHAT NOT TO DO

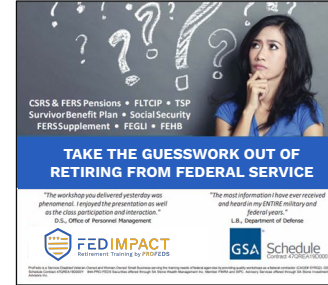
New FEGLI Premium Changes

What NOT to Do

- » Do NOT cancel any of your existing life insurance coverage before first doing these two things:
 - Conduct a needs assessment with a financial professional who can help you better articulate what your legitimate life insurance need is
 - Based on that assessment, be certain that any other policy you purchase is in force before cancelling other coverage (like FEGLI)

New FEGLI Premium Changes

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

New FEGLI Premium Changes

Handouts and Replay



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

New FEGLI Premium Changes

Next Webinar



- » Next webinar topic!
 - **Looking Ahead to TSP in 2022**
Getting the most out of the TSP in the coming year
- » Sign-up at: FedImpact.com/Webinar

**Thank you for
joining us**

Stay tuned for benefits
and news updates



FIND A WORKSHOP

FedImpact.com/Attend

NEXT WEBINAR

FedImpact.com/Webinar

FOLLOW US ON SOCIAL

@FedImpact

