



Last Paycheck vs. First Retirement Check

Welcome

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

Last Paycheck vs. First Retirement Check

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

Last Paycheck vs. First Retirement Check

Last Paycheck vs. First Retirement Check

**How you can expect your pay to change
once you retire from federal service**

Agenda

- » **INCOME:** changes in gross income you can expect as a retiree
- » **EXPENSES:** which expenses go up and which go down in retirement
- » **SHORTFALL:** how you can fill the income gap (but there's a catch!)

What this webinar will NOT cover

While Working (Your Paycheck)

- » **Income:** Salary
- » **Deductions:**
 - Federal tax
 - State tax
 - Social Security tax
 - Medicare tax
 - CSRS or FERS
 - TSP contributions
 - FEHB/FEDVIP (pre-tax)
 - FEGLI
 - FLTCIP

In Retirement (Your Retirement Check)

- » **Income:** Pension, FERS Supplement, Social Security
- » **Deductions:**
 - Federal tax
 - State tax
 - ~~- Social Security tax~~
 - ~~- Medicare tax~~
 - ~~- CSRS or FERS~~
 - ~~- TSP contributions~~
 - FEHB/FEDVIP (after-tax)
 - FEGLI
 - FLTCIP
 - Survivor Benefits

Last Paycheck vs. First Retirement Check

Case Study



- » Mike is a Regular FERS
- » Married to Mary
- » Retirement age: 60
- » Service years: 30
- » Ending salary: \$101,790

How does his last paycheck compare to his first retirement check?

Last Paycheck vs. First Retirement Check

Case Study Data

- » Mandatory contributions to SS, Medicare and FERS
- » TSP contributions: \$27,000/yr
- » TSP balance: \$500,000 (all Traditional)
- » FEHB: 106/BCBS/Self Plus One
- » FEGLI: Basic, A, Bx5
- » FLTCIP: None at this time

Last Paycheck vs. First Retirement Check

Last Year of Work (age 59) vs. First Year of Retirement (age 60)

Last Year of Work	Income/Expense	First Year of Retirement
\$101,790	Salary	\$0
\$0	Pension	\$30,000
\$0	Special Retirement Supplement	\$9,360
- \$7,673	Federal Tax (MFJ 24%)	- \$3,965
- \$3,363	State Tax (flat 5%)	- \$1,818
- \$7,210	Social Security & Medicare Tax	\$0
- \$814	FERS Contributions	\$0
- \$27,000	TSP Contribution (Traditional)	\$0
- \$2,856	Life Insurance (FEGLI)	- \$8,700
- \$7,530	Health Insurance (FEHB)	- \$7,820
\$0	Survivor Benefit Plan (SBP)	- \$3,000
\$45,344	INITIAL TAKE HOME PAY	\$14,057

Last Paycheck vs. First Retirement Check

What's Missing?

- » We have NOT accounted for:
 - Long Term Care (cost varies for insurance and care)
 - Medicare Part B at age 65 (\$2,041/yr per person)
 - Unexpected expenses (ex: major repairs or medical bills)
 - Inflation (causing the cost of living to go up)
 - Loss of income when spouse stops working
 - Any of the fun things they wish to do in retirement
 - How long it will take OPM to get everything straight

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Addressing the Income Shortfall

- » How does he try to fill the gap of \$31,287?
 - Lower their standard of living?
 - Use savings (cash)?
 - Work longer?
 - Get another job?
 - Take from the Traditional TSP?
 - Control the expenses?

Last Paycheck vs. First Retirement Check

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Last Paycheck vs. First Retirement Check

The Transition Period

- » It will take OPM several months to finalize your retirement application
- » During this time,
 - You will receive 60-70% of your gross pension (with only federal taxes being withheld),
 - You will not receive the Special Retirement Supplement (missed payments will be paid to you when your retirement is finalized by OPM)

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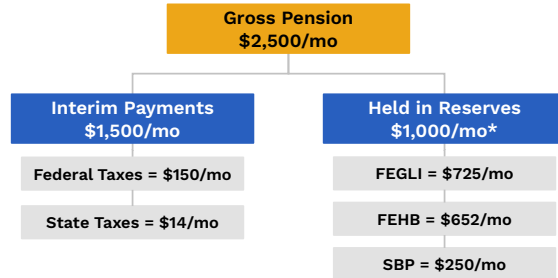
Benefits payable from your retirement payments

Obligations	Paid from initial interim payments	Paid at the end from 30-40% withheld	May start to be paid from retirement check (once final)
Federal income taxes	✓		✓
State income taxes	pay out-of-pocket		✓
Survivor Benefit		✓*	✓
FEGLI		✓*	✓
FEHB		✓*	✓
FEDVIP	pay out-of-pocket		✓
FLTCIP	pay out-of-pocket		✓

* Survivor Benefits, FEGLI, and FEHB coverage remain in-force during this interim period

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Mike's Interim Payments



* Money used to pay FEGLI and FEHB premiums in retirement is taxable income, so additional federal & state taxes will be due.

Last Paycheck vs. First Retirement Check

“When you know your numbers, your decisions become more obvious”

Last Paycheck vs. First Retirement Check

Some Observations

- » Figure out your numbers NOW (don't guess!)
- » Avoid surprises in retirement
- » Identify decisions that need to be made today, to give you better control in the future
- » Where do you get this help? (hint: it is not HR, a cool Facebook page, or your friend in the office)

Last Paycheck vs. First Retirement Check

How does this fit into the bigger picture?

Are you prepared to address your 'retirement math' problem?

DOUBLE-CHECK YOUR NUMBERS TO MAKE SURE YOUR RETIREMENT MATH IS ON TRACK

"The workshop you delivered yesterday was phenomenal. I enjoyed the presentation as well as the class participation and instruction."
D.S., Office of Personnel Management

"The most information I have ever received and heard in my DTRC military and retirement class."
L.B., Department of Defense

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