



## Last Paycheck vs. First Retirement Check



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

### Last Paycheck vs. First Retirement Check

#### Welcome

- » About today's topic
- » 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!

### 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

## 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!)
- » **My challenge for you today!**

## What this webinar will NOT cover



## Benefit Highlights

### Retirement Benefit Highlights\*

- » **Pension:** A monthly payment you will receive for the duration of your lifetime
- » **Survivor Benefits:** A portion of your pension that is payable to your spouse when you die
- » **FERS Supplement:** A monthly payment if you retire with an immediate pension before age 62
- » **Social Security:** A monthly payment that can begin between age 62 and 70 and payable for your lifetime

\* You must meet various requirements to receive each benefit.

## Retirement Benefit Highlights\*

- » **FEGLI:** A life insurance death benefit payable to your designated beneficiary when you die
- » **FEHB:** Health insurance benefits available for you and your eligible family members
- » **FLTCIP:** Long term care insurance that pays out if you need certain kinds of care (under OPM suspension)
- » **Thrift Savings Plan:** A 401(k)-style plan designed to provide tax-advantaged savings and investing

\* You must meet various requirements to receive each benefit.

## Need a Deeper Dive into These Topics?

- » **Articles:** [FedImpact.com/articles](https://fedimpact.com/articles)
- » **Podcasts:** [FedImpact.com/podcasts](https://fedimpact.com/podcasts)
- » **Webinars:** [FedImpact.com/webinars](https://fedimpact.com/webinars)
- » **Workshops:** [FedImpact.com/attend](https://fedimpact.com/attend)

# The Transition



## 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)
- » Having cash on hand for this transition period is critical!

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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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##### Once OPM Finalizes Your Pension

- » You will receive a letter indicating that OPM has completed your retirement application and determined your “real” annuity/pension amount
  - If OPM held too much in reserve, you’ll get a refund
  - If OPM held too little in reserve, you’ll owe money
- » You’ll begin to receive your normal pension from this point forward
- » You’ll receive “back pay” for missed FERS Supplement payments, and then continuing monthly

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## A Look at the Numbers

#### Last Paycheck vs. First Retirement Check

##### Case Study



- » Mike is a Regular FERS
- » Married to Mary
- » Current age: 59
- » Retirement age: 60
- » Service years: 30
- » Ending salary: \$103,011

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

#### Last Paycheck vs. First Retirement Check

### FERS Pension

#### » Mike's details:

- Employee type: **Regular**
- Retirement Age: **60**
- Service years: **30**

FERS Full Eligibility	
Age	Years
62	5
60 	20
MRA (55-57) 	30

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### FERS Pension

- » **Calculation:** The formula Mike will use to calculate his pension is based on his age AND service years

**Regular FERS 1.0% formula**  
(retiring under age 62 **OR** at least age 62, but with less than 20 years of service)

High-3 x 1.0% x # of years = **Pension**



Mike will use this formula because he is not age 62

**Regular FERS 1.1% formula**  
(retiring at least age 62 **AND** with at least 20 years of service)

High-3 x 1.1% x # of years = **Pension**

#### Last Paycheck vs. First Retirement Check

### FERS Pension

#### » Mike's details:

- High-3: **\$100,000**
- Years of service (including unused sick leave): **30**

**Regular FERS 1.0% formula**  
(retiring under age 62 **OR** at least age 62, but with less than 20 years of service)

$\$100,000 \times 1.0\% \times 30 \text{ years} = \$30,000$



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### Survivor Benefit

- » **Mike's details:** He plans to leave Mary some of his pension

#### FERS Survivor Benefit on Mike's \$30,000/yr Pension

BENEFIT Pension % Mary Receives Upon Mike's Death		COST Pension % Mike Pays While Living
50% (\$15,000/yr)		10% (\$3,000/yr)
25% (\$7,500/yr)		5% (\$1,500/yr)
0% (\$0/yr)		0% (\$0/yr)

\* For Mary to continue FEHB after Mike dies, Mike must elect at least 50% or 25% option.

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### FERS Supplement

- » **Calculation:** The formula Mike will use will be based on his estimated Social Security & years of FERS service

#### Special Retirement Supplement Formula

SS benefit at age 62 x (# years of FERS service ÷ 40) = Benefit

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### FERS Supplement

» **Mike's details:**

- Estimated Social Security Amount (Age 62): **\$1,200/mo**
- Years of FERS service (excluding military service): **26**

#### Mike's Supplement

30 years service (4 military) & monthly SS benefit at age 62 of \$1,200

$\$1,200 \times (26 \div 40) = \$780/\text{mo}$



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### Social Security

- » **Calculation:** Mike's Social Security (SS) is based on his highest 35 years of earnings while contributing to SS

#### Mike's Social Security Statement

<b>Age 62</b>	\$1,200/mo	<b>Age 67</b>	\$1,714/mo
<b>Age 63</b>	\$1,286/mo	<b>Age 68</b>	\$1,851/mo
<b>Age 64</b>	\$1,371/mo	<b>Age 69</b>	\$1,988/mo
<b>Age 65</b>	\$1,485/mo	<b>Age 70</b>	\$2,125/mo
<b>Age 66</b>	\$1,600/mo		

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### Federal Employees Group Life Insurance

» **Mike's details:**

- He currently has FEGLI Basic, A, and Bx5

Mike's FEGLI	Amount	Cost
Basic Coverage	\$106,000	\$36.75/mo
Option A Coverage	\$10,000	\$3.90/mo
Option B Coverage	\$520,000	\$202.80/mo

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### Federal Employees Group Life Insurance

#### » Mike's details:

- He can choose how much FEGLI to keep in retirement

Mike's FEGLI	Amount	Choices
Basic Coverage	\$106,000	<b>Keep 100%</b> ✓ Keep 50% Keep 25%
Option A Coverage	\$10,000	<b>Keep 25%</b> ✓
Option B Coverage	\$520,000	<b>Keep 100%</b> ✓ Keep 0%

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### Federal Employees Health Benefits

#### » Mike's details:

- He currently has BCBS, Standard, Self + One

Blue Cross Blue Shield 2025	Monthly Premium	Annual Premium
(104) Standard Self-Only	\$378.76	\$4,545.12
(105) Standard Self + Family	\$920.07	\$11,040.84
✓ (106) Standard Self + One	\$832.31	\$9,987.72
(111) Basic Self-Only	\$245.18	\$2,942.16
(112) Basic Self + Family	\$657.82	\$7,893.84
(113) Basic Self + One	\$593.97	\$7,127.64

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### Federal Long Term Care Insurance

#### » Mike's details:

- He doesn't currently have this benefit, and it is not currently available through OPM since the program has been suspended since December 2022

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### Thrift Savings Plan

#### » Mike's details:

- Mike is currently contributing \$31,000/year to the Traditional TSP (with a balance of \$500,000), but knows that he's not allowed to contribute once he is retired

## Last Paycheck vs. First Retirement Check

# The Comparison



## 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
\$103,011	Salary	\$0
\$0	Pension	\$30,000
\$0	Special Retirement Supplement	\$9,360
- \$6,966	Federal Tax (24% MFJ)	- \$3,886
- \$3,101	State Tax (flat 5%)	- \$1,818
- \$7,116	Social Security (6.2%) & Medicare Tax (1.45%)	\$0
- \$824	FERS Contributions (0.8%)	\$0
- \$31,000	TSP Contribution (Traditional)	\$0
- \$2,921	Life Insurance (FEGLI)	- \$8,713
- \$9,987	Health Insurance (FEHB)	- \$10,552
\$0	Survivor Benefit Plan (SBP)	- \$3,000
<b>\$41,095</b>	<b>INITIAL TAKE HOME PAY</b>	<b>\$11,391</b>

## Last Paycheck vs. First Retirement Check

### Addressing the Income Shortfall

- » How does he try to fill the gap of \$29,704?
  - Lower their standard of living?
  - Use savings (cash)?
  - Control the expenses?
  - Work longer?
  - Get another job?
  - Take from the Traditional TSP?

## 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 (\$2,220/yr per person in 2025)
  - 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





## Lots of Decisions

### Some Observations

- » Some of these numbers are pretty set (and others can be changed based on decisions you make)
- » 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)

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



### Retire with confidence.

- » Attend a workshop:
  - In-person training
  - No cost to attend
  - Covers all of the federal benefit topics and decisions to be made
  - One-on-one help available
- » See all the details at:  
[FedImpact.com/Attend](https://FedImpact.com/Attend)

## Handouts and Replay



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

## Next Webinar



- » Next webinar topic!
  - **Deferred Retirement: What You Get & Give Up**  
Exiting federal service before qualifying to get your pension right away
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