

SERVING THOSE WHO SERVE

Quarterly Newsletter

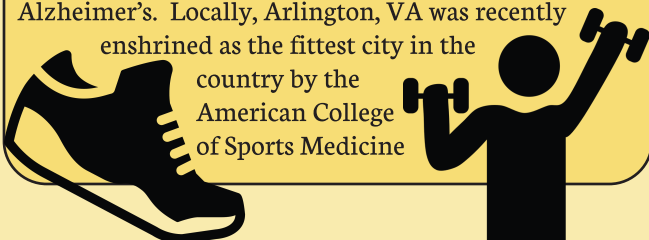
June 2018



Health & Wellbeing: Lace Up Those Running Shoes

Improved circulation, memory, and balance are just three of the numerous benefits provided by physical exercise. A resulting escalation of blood flow delivers vital oxygen and glucose to the brain, which in turn vastly assists in the process of relieving toxins and other such waste from the body. Running and cycling are two activities that help increase the heart rate, often providing an elevated mood and more efficient brain functions. A recent study conducted at the University of Georgia concluded that exercising for merely 20 minutes per day can facilitate the way our brains process information. NIH also advises that physical activity has the potential to delay, or even entirely prevent, the loss of cognitive ability that is commonly associated with age and disease. In fact, those who do not routinely engage in physical exercise are twice as likely to develop debilitating diseases such as Alzheimer's. Locally, Arlington, VA was recently enshrined as the fittest city in the

country by the
American College
of Sports Medicine



How to Choose The Right Retirement Path

Determining how much savings and future income is needed to comfortably retire can be an arduous process for anyone. For federal employees, however, the variables involved can be even more overwhelming as there is a plethora of avenues to consider with fluctuating degrees of complexity involved. Sometimes one path can seem only subtly diverged from another at first, but further down the trail, a significant split in differing directions can have unexpected consequences. As most participants in America's workforce approach their 60's, there are basic determinations to make towards retiring. Items to ponder include at what age to begin drawing social security benefits, how much of retirement savings should be taken monthly, and what state (or even country) to live in. Tax implications, personal preferences, and logistical practicality are all interwoven within the outcome of each choice.

In addition to these selections, along with several others, federal employees face a daunting amount of decisions. What to do with FEGLI, FEHB, accumulated leave, and the TSP, along with deciding when to file retirement claims with OPM, offer a couple of examples that detail how retirement from the Federal Government's civil service can quickly become a complicated process. Those who embrace the easiest route often find obstacles further along that could've been avoided at their onset. One could possibly write a capacious

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Tip/Reminder-

Because keeping FEGLI after retiring can be an expensive choice, be sure to look into the various options available to retirees. Keeping all of the coverage, half the coverage, or dropping the insurance entirely are avenues worth exploring because maintaining a FEGLI policy could be wise dependent on one's health and eligibility for a private plan. A surprising amount of federal retirees, however, overlook the available possibility of keeping 25% of FEGLI basic coverage at no cost in retirement. There are several nuanced technicalities to consider, but having some life insurance coverage without the obligation of paying any further premiums can be enticing.

Famous Fed:

Steve Carell, an actor famous for his roles in TV's *The Office* and films such as *Anchorman*, worked about 6 months as a mail carrier for the US Post Office in the late 1980s. On delivering letters to the residents of Littleton, MA, the performer has admitted several times that he was too slow for the work, and not very good at the job. After leaving *The Office* in 2010, Steve was reportedly working with NBC on a "sweet and nostalgic" sitcom based on his stint as a mailman. Whether the project simply never materialized, or was just a joke based on the fact that he had recently left *The Office* and was now in the "Post Office" phase of his career, is uncertain. The show was tentatively entitled *The Post-Graduate Project*.

**The Current State
of Long-Term Care**

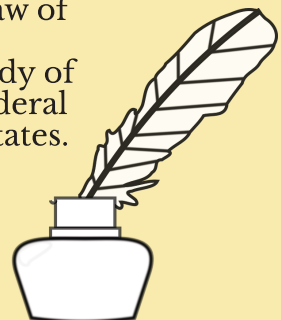
A recent audit of the FLTCIP, published in April 2018 and conducted the previous May, shed new light on the true group insurance plan for Federal employees, retirees, and their family members. The Office of the Inspector General (OIG) reached two conclusions: OPM is complying with federal regulations regarding administering their portion of the LTC insurance contract, and that there is no apparent contingent plan in place should funding incoming benefit claims reach unsustainable levels. Before raising premiums an average of 83% in 2016, OPM tried to auction a new contract, but the only bid to come forth was from the company already in place, John Hancock. OIG stresses several times in the report that due to the uncertain marketplace for long-term care insurance, OPM may want to instill some sort of plan in place should the program financially implode. The response to this, however, is one of disagreement. OPM asserts that any such changes to the FLTCIP would have to be enacted by Congress, but hinted there were active considerations about future fundamental changes to the products offered by the program.



Steve Carell

History Tidbit:

On June 21, 1788, New Hampshire became the last state to ratify the Constitution, officially decreeing the document as law of the land. The ratification ultimately established the body of power to be known as the Federal Government of the United States.



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manual with multiple volumes and thousands of pages regarding the nuances, pitfalls, and hidden gems laden in the options available to a federal employee when it comes to retirement benefits, so this attempt at shaping a rough idea should not be considered an all-encompassing guide to federal retirement.

When It's Time

Deciding when to leave federal service, in terms of both the calendar year and an individual's age, usually reveals itself to be a fairly significant choice. Regarding when in a given year to file a claim for retirement benefits, the general consensus has formed around the date of December 31st. The reason pertains to annual leave and how 240 hours is the maximum to carry over year-to-year. Retiring in December therefore allots the 240 carried over plus hours accrued in the current year, which may be as high as 208. The 448 total, equivalent to working for over 50 days, is disbursed as a lump sum immediately upon retirement. Another bonus laden in leaving in December is that some of these hours may get calculated at the following year's pay rate. The resulting payout can provide financial relief during the first several weeks of retirement as pension payments don't typically begin for a few months because of a sizable backlog of retirement claims at OPM. Interestingly enough, a vast upswing in claim submissions at the end of each year has been identified as the main culprit for this inconvenient bottleneck of forms waiting to be processed.

What Age Can Make All the Difference

The specific age one retires can have an extensive impact on the way their federal pension amount is calculated. For FERS and CSRS employees who possess less than twenty years of service, waiting until 62 or later is the only way to be eligible for the pension, assuming they worked for a total minimum time of 60 months. The decision about what age to retire at becomes stickier if a Fed has at least 20 years of service by the ripe age of 60, or even 30 years at their minimum retirement age, which varies depending on year of birth. To exemplify this, let's explore some hypothetical

situations with two different fictional FERS workers, each with 22 years at 60. Let's say our first employee is named Bobby; he decided to retire at 61 and take the Special Retirement Supplement (SRS) for a year. The immediate gain by Bobby, assuming his supplement was \$900 per month, is \$11,000. Our other Fed, who we'll call Sally, determined she'd be better off retiring at 62 with no SRS payment. The extra year comes with an advantageous 1.1% multiplier for her pension calculation, however, while Bobby's pension payment will be computed with a multiplying factor of 1.0%. Sally's annual payout in retirement will be her high-3 average (\$100,000) x years of service (24) x 1.1%, which equals \$26,400. Bobby may have the same high-3 average, but with one year less (23), multiplied by 1.0%, which gives him an annual benefit of \$23,000.

Checking back in on Bobby and Sally after they've both been retired for 15 years, Bobby has collected \$345,000 plus the SRS payments received during his first year, so \$356,000. In contrast, Sally has earned \$396,000 total, providing a difference of \$40,000. This purely theoretical pair of situations demonstrates the magnitude of seemingly innocuous decisions made in the moments just preceding leaving service.

How & Why

Along with questions that arise due to timing, numerous aspects of the federal benefit package are loaded with complexities that can feel arguably unnecessary, but the apparent vacancy of logic should not discount a choice entirely, in fact quite the opposite. The rules in place hold credence, and although the answer as to *why* they are sometimes shaped in complicated manners can be elusive, such does not discredit their ability to enhance or abate a person's financial realities in retirement. Choosing whether or not to keep federal health benefits can drastic, for example, because once dropped, a retiree cannot rejoin an FEHB plan after leaving the Federal Government. The

premiums paid are with after-tax dollars post-service so financially, the choice may entail heavy implications.



Where To Go

Also related to taxes when considering fiscal vitality, picking a place to live may be crucial. Florida, Nevada, and Alaska are three of the states that don't impose any state income tax at all. Pennsylvania and Illinois are two of the states that don't tax any kind of pension income. Many states, including Maryland and Virginia, offer an exemption or credit for a portion of pension payouts. Washington, DC, North Carolina, and California are three government bodies that fully tax pension income at the state level. Obviously, determinants such as family, climate, and other personal preferences play a significant role in deciding where to live, but the financial impact is but one piece to the very large jigsaw puzzle known as federal retirement.

*-Until Next Time,
Benefits Ben*

Fun Fact:

Approx. 99% of the matter in the observable universe exists in the plasma state-

not liquid, solid, or gas.



AGENCY SPOTLIGHT

Library of Congress

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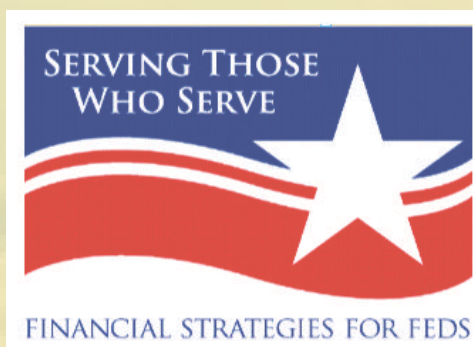
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source: loc.gov

Upcoming Seminars (Summer 2018)

<u>Rockville, MD</u>	<u>Washington, DC</u>	<u>Arlington, VA</u>	<u>Columbia, MD</u>
Tuesday, 7/17	Wednesday, 7/18	Thursday, 7/19	Friday, 7/20
Tuesday, 8/14	Wednesday, 8/15	Thursday, 8/16	Friday, 8/17
Tuesday, 9/11	Wednesday, 9/12	Thursday, 9/13	Friday, 9/14



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