SERVING THOSE WHO SERVE

Quarterly Newsletter

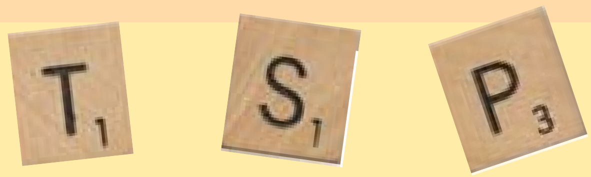
March 2019

Picking A Beneficiary for Your TSP Isn't Always Easy

One of the more important decisions federal workers make in relation to their benefits is determining a beneficiary for their Thrift Savings Plan (TSP) account. If the employee themselves doesn't inform TSP, the money, upon death, would go to the participant's spouse, then kids, then parents, then executor of estate, and last to the 'next of kin.' Informing TSP of your intended beneficiary can entail one unwanted consequence, and that's if you previously named one who is now an ex-spouse. In most cases, though, you'll want to decide the beneficiary of your retirement savings. If it is a spouse, he or she can decide to take a lump sum that may be subject to 20% mandatory federal income tax withholding, roll the money into an IRA or eligible employer plan, or leave it invested with the Thrift Savings Plan upon becoming a widow or widower. If the money is kept with the TSP, it does not remain in the same fund allocation that the original participant had chosen but rather is automatically invested in a Lifecycle fund that corresponds with the beneficiary's assumed retirement age. The spouse can change the investment choices as they see fit, however. If this person passes away without extracting the money, whoever their beneficiary is must receive a lump sum that is subject to taxation.

When it comes to an original participant's non-spousal beneficiary, there are only two choices because they are not allowed to open a TSP account like a widow or widower would

CONTINUED ON PAGE 05...



Health & Wellbeing:

Misleading Labels

If you're trying to eat healthier, there are a few things to keep in mind when reading the nutrition label . For one, *natural* doesn't always mean "healthy" or "organic." Steer your attention to the ingredient list if you're unsure. Helpful hints include avoiding food where either the first three ingredients are generally unhealthy or if you can't readily pronounce them. Drinking 'natural' soda that still contains high fructose corn syrup, for example, probably isn't a healthy alternative.

Famous Fed:

Katherine Johnson of NASA

Featured in the 2016 non-fiction book *Hidden Figures* that became an Oscar-nominated film that same year, Katherine Johnson worked for NASA from 1953 to 1986. Her, along with two other African-American women, were vital in solving calculations for the first moon landing. The trio were known among colleagues as ‘human computers.’ The physicist and mathematician is still alive at 100 years old, received the Presidential Medal of Freedom from Obama in 2015, and played a crucial role in the safe return of the Apollo 13 astronauts.

You are now entering the...

FED ZONE

For Those FERS Employees Who Have Reached MRA and Want to Retire Earlier, “MRA + 10” Retirement May Be an Option

The recent partial federal government shutdown has prompted many employees to consider retiring earlier from federal service than originally planned. The frustration and hardship of missed paychecks has resulted in much bitterness and disappointment among thousands of employees. For those employees fortunate enough to have met the minimum age and service requirement, immediate retirement is certainly an option. But for those employees covered by the Federal Employees Retirement System (FERS) and who have reached their minimum retirement age (MRA) with at least 10 years of service, “MRA + 10” or “postponed” retirement may perhaps be an option for retiring from federal service sooner than expected. This column discusses all the particulars of “MRA + 10” retirement for FERS employees.

A previous column discussed another option for FERS-covered employees who want to leave federal service before they are eligible to retire, called “deferred” retirement. As will be discussed in this column, there are important differences between “deferred” retirement and “MRA + 10” or “postponed” retirement.

Age and Service Requirement

A FERS-covered employee who: (1) Is currently contributing each pay date a portion of his or her gross salary to the FERS Retirement and

Disability Fund (either 0.8, 3.1, or 4.4 percent of the employee's salary); (2) has reached at least his or her minimum retirement age (MRA) but younger than age 62; and (3) has at least 10 years but fewer than 30 years of creditable service is eligible for the "MRA + 10"/"postponed" retirement.

It should be noted that of the minimum 10 years of service, at least five years have to be FERS-covered civilian service. The remaining required years can be "bought back" military service. Also, depending on an employee's year of birth, MRA ranges between ages 55 and 57, as shown in the following table-

Year of Birth / MRA

Before 1948	55 years
1948	55 yr, 2 mo.
1949	55 yrs, 4 mo.
1950	55 yrs, 6 mo.
1951	55 yrs, 8 mo.
1952	55 yrs, 10 mo.
1953-1964	56 years
1965	56 yrs, 2 mo.
1966	56 yrs, 4 mo.
1967	56 yrs, 6 mo.
1968	56 yrs, 8 mo.
1969	56 yrs, 10 mo.
After 1969	57 years

Commencing Date of FERS Annuity

Assuming a FERS-covered employee is between MRA and age 62 and not eligible for an immediate retirement and wants to leave federal service seeking a "postponed" retirement, then the employee must:

(1) Inform his or her agency of the of the intention to leave federal service (the agency should make sure that **Form SF 3103 - Register of Separations and Transfers** – is filled out upon the employee's departure); and (2) at least one month after leaving federal service and when the departed employee wants to start receiving his or her FERS annuity, complete and submit **Form RI 92-19 (Application for Deferred or Postponed Retirement)**. The completed application must be mailed to:

OPM – Federal Employment Retirement System
P.O. Box 45
Boyars, PA 16017

Computation of "Postponed" FERS Annuity

Once the "postponed" annuity application **(Form RI 92-19)** is received, OPM's Retirement Office will compute the departed employee's FERS annuity based on: (1) the employee's total years of FERS service, including: (a) actual service under FERS; (b) bought-back military; (c) service time for which Social Security (FICA) taxes and reduced CSRS contributions were made via payroll deductions and not refunded. This is called CSRS interim or CSRS Offset service; and (d) temporary time that occurred before Jan. 1, 1989 for which the employee made a full deposit. Also included in the length of service for the purpose of computing the FERS annuity is the employee's unused sick leave at the time of leaving federal service; and (2) the departed employee's high-three average salary at the time of leaving federal service.

If a departed FERS employee has completed at least 10 years but fewer than 20 years of creditable service at the time of leaving federal service, the employee's FERS annuity will be permanently reduced if the departed employee chooses to receive his or her annuity before the month the departed employee reaches his or her 62nd birthday. The reduction is 5/12 of one percent for each month under age 62. The following example illustrates: *Rob, a FERS employee left Federal service in 2017 at the age of 56, with 14 years of creditable FERS service. In early 2019, Rob became age 58 and decided to start receiving his FERS annuity. Rob at age 58 is 4 years (48 months) away from his 62nd birthday. His penalty for starting to receive his FERS annuity at age 58 is:*

48 months x 5/12 of 1 percent, or 20 percent.

In other words, as a result of starting to receive his FERS annuity four years earlier than the month he would become age 62, Rob will receive 20 percent less in his FERS annuity for the rest of his life. Note that if Rob is giving a survivor annuity, then the survivor annuity is also subject to the 20 percent reduction.

If a departing employee has at least 20 years of creditable service but fewer than 30 years, then the 5/12 of one percent penalty is measured from the month that the departed employee becomes age 60. Departing employees can therefore reduce or eliminate the age reduction penalty by postponing the start of their annuity until age 62 if they have fewer than 20 years of creditable service. Or by age 60, if they have at least 20 years of service and fewer than 30 years. If the departed employee dies before the postponed annuity starting date, then any survivor annuity benefits which the departed employee elected would still be payable upon the departed employee's death with no reduction to the survivor annuity, even if the departed employee died before age 62 or 60. Postponing the start of one's annuity does have a disadvantage with respect to the Federal Employees Health Benefits (FEHB) and Federal Employee Group Life Insurance (FEGLI) benefits, as is discussed in the next section.

Health, Life, Dental and Vision Insurance Coverage

Employees who separate from federal service after reaching their MRA with at least 10 years of creditable service are eligible to retain their FEHB (health insurance) and their FEGLI (life insurance) benefits in retirement. This assumes that the employee was a participant in the FEHB program and FEGLI program during the last five years of the employee's federal service, ending on the day the employee leaves federal service under the "MRA+10" arrangement. However, if the departed employee decides to postpone the start of his or her FERS annuity in order to avoid the age reduction factor, then as long as the departed employee is not receiving his or her FERS annuity, the FEHB and FEGLI insurances will be suspended. Upon applying for the start of the FERS annuity, the departed employee can apply for reinstatement of the FEHB and FEGLI benefits with no underwriting. The federal government will also pay its share of the FEHB and FEGLI premiums once coverage takes effect and throughout retirement. The departed employee is eligible to re-enroll in the dental insurance and/or vision insurance offered through the Federal Employee Dental and Vision Insurance Program (FEDVIP) upon applying for the start of the FERS annuity. Enrollment can be made at **www.benefeds.com**. No underwriting is required with guaranteed insurance coverage for annuitants, employees, and family members including spouses and children under the age of 22. Both employees and annuitants pay full premiums for FEDVIP coverage with no government premium contribution.

Federal Long-Term Care Insurance Coverage

Those employees who were approved for long-term care insurance through the Federal Long-Term Care Insurance Program (FLTCIP) will have their coverage continue when they depart federal service and postpone the start of their FERS annuity. They will have to make arrangements with the FLTCIP to pay their FLTCIP premiums. Departing employees who are not enrolled in the FLTCIP can apply to enroll in the FLTCIP at any time provided the employee is eligible for a postponed annuity. An LTC insurance application from the FLTCIP may be downloaded from **www.ltcfeds.com**

Applicants must pass underwriting in order to be approved for coverage.

Thrift Savings Plan (TSP) Options

A departed employee under the "MRA+10" postponed retirement is eligible to make penalty-free withdrawals from his or her traditional TSP account. This is because the departed employee would be at least age 55 at the time of his or her departure from federal service. The departed employee has other options in deciding what to do with his or her traditional TSP, including leaving it alone, transferring a part of it to a traditional or to a Roth IRA, or making a one-time partial withdrawal. With respect to the Roth TSP, a departed employee could withdraw his or her Roth TSP account or leave it alone. In order to make a completely tax-free withdrawal, the departed employee would have to be at least age 59.5 and it has been at least five years since January 1st of the year the departed employee made his or her first Roth TSP contribution. The Roth TSP can also be transferred to a Roth IRA.

FERS Annuity Supplement

FERS employees who leave federal service under the "MRA +10" or "postponed" retirement option are not eligible to receive the FERS annuity supplement. This is true no matter how many years of creditable FERS service the departed employee has and no matter when (what age) the departed employee starts receiving the postponed FERS annuity.

For full "FED ZONE" disclosures, please read the 'disclaimers' section

CONTINUED FROM PAGE 01...

be able to. Instead, they can either take a lump sum which may be subject to 20% mandatory federal income tax withholding or transfer it into an inherited IRA, which can be a complicated vehicle for retirement savings so it is recommended that whoever is receiving this inheritance should consult with a tax professional or a provider of such retirement accounts. Another thing to discuss with such professionals, for the still living federal employee at least, is whether it makes sense to transfer out of the TSP upon retirement. With the impacts of the TSP Modernization Act about to reverberate through the federal community, deliberating about whether or not to withdraw from these retirement funds won't be as loaded or dire of a discussion as it used to be. At the end of the day, the one question a federal employee should be asking themselves is: *'Do I want my kids to inherit an abundant chunk of my life savings or not?'* A financial planner should be able to help you delve into the thick of questions like these.

Financial Planning for Feds

The Department of Labor's fiduciary rule, which ultimately fizzled out and never became codified law, would have required Financial Planners who advise on retirement accounts to be a fiduciary. While this sounds like jargon to most of us, learning that a fiduciary means someone who is required to prioritize their client's best interest is a little off-putting. The reason for this is, well, *shouldn't financial planners be acting in their client's best interest already?* The answer was, and still is: no. This doesn't mean that there aren't fiduciaries, however. Anyone with a series 66 license is considered an Investment Adviser Representative and has several fiduciary duties they must adhere to, but if you want to ensure your planner has "a thorough knowledge of and ability to apply the fiduciary practices," the accreditation you need to seek out is called an Accredited Investment Fiduciary (AIF). Quickly becoming one of the most sought out designations in the industry among professionals, the AIF certification reflects an adherence to a stringent code of ethics and a deep understanding of what constitutes practicing as a fiduciary.

For Federal Employees, however, there is another layer to what is needed from your financial planner. Because retirement and employment benefits for federal workers are frustratingly convoluted and complex in comparison to other workplaces, having a planner who can navigate the complicated landscape is close to imperative. In regards to federal benefits, the only certification currently recognized by FINRA is the ChFEBC, which titles someone as a 'Chartered Federal Employee Benefit Consultant." The required 2-day course is adequate for familiarizing financial planners with federal benefits, but if you can find a financial adviser (or even a CFP, Certified Financial Planner) that is completely immersed in the world of federal benefits, that is the optimal situation for someone trying to maximize their retirement from the Federal Government. Although few and far between, such experts do exist.

-Until Next Time,
Benefits Ben

AGENCY SPOTLIGHT:

The U.S. Fish & Wildlife Service

Acronym: FWS

Established: 1940

Located: Virginia

\# of Employees: 8,792

Leading Director: Greg Sheehan

Mission: *"Working with others to conserve, protect, and enhance fish, wildlife, plants, and their habitats for the continuing benefit of the American People."*

source: fws.gov

U.S. FISH & WILDLIFE SERVICE
DEPARTMENT OF THE INTERIOR

Fun Fact:

Polar Bears have 42 teeth

Visit stwserve.com /home/seminars-events for information on our retirement seminars for federal employees in the Washington, DC Metropolitan Area!

SERVING THOSE WHO SERVE
FINANCIAL STRATEGIES FOR FEDS

15245 Shady Grove Rd, Suite 240 Rockville, MD 20850
301.216.1167 - 855.437.STWS (7897)- 301.216.1160 (fax)

www.stwserve.com

Disclaimer

Written by Benjamin Derge, Administrative Associate, unless otherwise noted. The information has been obtained from sources considered reliable but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Serving Those Who Serve and not necessarily those of RJFS or Raymond James. Links are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members. Raymond James does not offer tax or legal services. You should discuss tax or legal matters with the appropriate professional. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Serving Those Who Serve is not a registered broker/dealer and is independent of Raymond James Financial Services.

Be sure to consider all of your available options and the applicable fees and faetures of each option before moving your retirement assets.

Serving Those Who Serve is not sponsored, funded, or endorsed by the TSP, OPM, or any other Federal Government Agency.

The FEDZONE Articles are written by Edward A. Zurndorfer, who is a retiree of the Federal government. He is an IRS Enrolled Agent, Certified Financial Planner, Chartered Life Underwriter, Chartered Financial Consultant and Certified Employee Benefits Specialist. He is the owner of EZ Accounting and Financial Services, an accounting, tax consulting and preparation, financial and Federal employee benefits consulting firm located in Silver Spring, MD.is also a seminar speaker at Federal agencies located throughout the country presenting Federal employee retirement, TSP, and Social Security benefits and financial and tax planning issues for Federal employees. He is a columnist for the Federal Employees News Digest, Inc. (FEND) bi-weekly newsletter, and the author of numerous Federal employee benefits publications for FEND. Raymond James is not affiliated with and does not endorse the opinions or services of FEDZONE or Edward A. Zurndorfer.