

SERVING THOSE WHO SERVE

Quarterly Newsletter

July 2020

Recent Federal IT Contracts at the VA, State Dept., & DoD

By Benjamin Derge, Financial Planner

**The following is not a recommendation to buy or sell any individual security or any combination of securities.*

The Department of Veteran Affairs (VA):

A \$96 Million, 5 year contract was awarded to Accenture for information technology (IT) improvements. The technology contractor will work with the VA Service management office to modernize the user experience for clinicians, VA employees, and the Veterans themselves. Part of the contract will be allocated to improving connectivity issues within some hospitals, and providing additional laptops for workers who can telecommute.

The State Department:

Approximately \$350 million contract for 12 months with four one-year options that could possibly extend the timeframe. The contractor who received the job was General Dynamics Information Technology (GDIT), which just 11 months ago landed a \$2 billion contract from the State Dept. to continue management of the agency's "global technical security supply chain." GDIT has been paid

over half a billion dollars by the State Department since May 2019. On a somewhat related note, the GAO recently remarked that cybersecurity at the agency was in need of improvement. This new \$350 million agreement is to enhance the department's counternarcotic measures by expanding communication with foreign law enforcement, implementing new technology hardware and software, and improving information systems that communicate with domestic partners.

Department of Defense (DoD):

A \$10 billion, 10-year contract with Microsoft that occurred in October of 2019 was the recent subject of a 317-page report published by a Government watchdog. The Pentagon inspector general's office issued the report a few weeks ago, and found the decision to go with Microsoft over Amazon Web Services (AWS) was not caused by interference from the President, although



although they also admitted their probe was limited by the Executive Branch. Trump has loudly proclaimed through twitter his distaste for *The Washington Post* newspaper, which is owned by Amazon. The dense document from the DoD watchdog did reference other ethical concerns they uncovered, but none that ultimately influenced the contract and its awarding. The ethical questions revolved around several matters, such as two DoD workers who worked on the contract and were previously employed as consultants for Amazon. Another person involved also previously worked for Amazon, then the DoD, and then went back to work for AWS. Other issues were like that of Stacy Cummings, a deputy assistant secretary of defense, who was found to have violated ethical protocols through buying Microsoft stock valued between \$15,001 and \$50,000. Also detailed in the investigation, a third company interested in the contract, Oracle, accused the DoD of designing the contract terms with Amazon to be "tailor-made" for AWS. The contract itself was to develop the JEDI (Joint Enterprise Defense Infrastructure) Cloud system for the DoD.

Until Next Time,

BENEFITS BEN

**full disclosures in "disclaimers" section*

August 2020 Webinars:

Hosted by Ed Zurndorfer!

8/5/20: Tax Planning Virtual Training

8/13/20: Understanding Social Security

8/18/20: Understanding Your FEGLI Benefits

8/26/20: Financial Planning Virtual Training

stwsseminars.com

Fun Fact:

A teaspoon of a neutron star's matter would weigh 100,000,000 tons because it is so dense.



Mesa Verde, CO, National Park

History Tidbit:

On June 29th 1938, Mesa Verde National Park in Colorado & Olympic National Park in Washington State were both founded



featured article by Ed Zurndorfer

When to Start Receiving Social Security Retirement Benefits

The earliest age an individual can receive monthly Social Security retirement benefits is age 62. However, if an individual elects to receive his or her benefit before his or her full retirement age (FRA), the retirement benefit will be reduced for each month before his or her FRA the individual starts receiving the retirement benefit. FRA depends on which year an individual was born, and is summarized in the following table:

Full Retirement Age (FRA) by Year of Birth

YEAR OF BIRTH	FULL RETIREMENT AGE
1937 or earlier	65
1938	65 & 2 mo.
1939	65 & 4 mo.
1940	65 & 6 mo.
1941	65 & 8 mo.
1942	65 & 10 mo.
1943 - 1954	66
1955	66 & 2 mo.
1956	66 & 4 mo.
1957	66 & 6 mo.
1958	66 & 8 mo.
1959	66 & 10 mo.
1960	67 mo.

The reduction is a permanent reduction and continues even after the individual reaches his or her FRA.

An individual who starts receiving a Social Security retirement at his or her FRA will receive his or her full benefit amount. Individuals who choose to delay receiving their Social Security retirement benefit beyond their FRA may be eligible for delayed retirement credits, which permanently increases an individual's Social Security retirement benefit. Before discussing when an individual should elect to start receiving his or her Social Security retirement benefit, it is important to review some of the basics of Social Security retirement benefits and in particular how Federal employees qualify for benefits. To qualify for a Social Security retirement benefit, an individual must be "fully insured". An insured status is acquired by earning "credits," based on the wages or self-employment income earned during a calendar year. In 2020, an individual must earn \$1,410 in Social Security-covered employment (for example, a federal employee covered by FERS) in order to earn one credit and earn \$5,640 to earn the maximum of four credits for the year. An individual generally becomes "fully insured" by earning 40 credits of Social Security, typically by working 10 years in Social Security-covered employment.

In general, a fully insured individual's Social Security retirement benefit, and those of his or her family members (which will be discussed in the next FEDZONE column) are based on the individual's Social Security earnings record. The earnings taken into account are reported on an individual's W-2 (Box 3 -Social Security wages) to the Social Security Administration (SSA) each year by the individual's employer, up to a certain maximum known as the "wage base."

The wage base is indexed for inflation each year and effectively places a cap on the amount of Social Security benefits a worker can receive, regardless of earnings. The wage base for 2020 is \$137,700 while the wage base for 2019 was \$132,900.

Using an individual's Social Security-covered earnings record, the SSA calculates a number known as the Primary Insurance Amount, or PIA. The PIA is the basic value used to determine the dollar amount of benefits available to an individual and his or her family.

Early Retirement

Fully insured individuals can take their monthly retirement benefits, also called "old-age insurance" benefits, when they are age 62 or older and have filed an application for those benefits. But by starting to receive the retirement benefit sometime before the month a fully insured individual becomes FRA, the benefit will be permanently reduced. The amount of the reduction is presented in a table below.

If a fully insured individual waits until his or her FRA to start receiving his or her retirement benefit, then the full retirement benefit will be paid.

Delaying Benefits

If a fully insured individual elects not to start receiving his or her Social Security retirement benefit at his or her FRA or early, but rather delays the start of the benefit, then delayed retirement credits will permanently increase the retirement benefit. Delayed retirement credit (DRC) increases apply for benefits for each month an individual is older than FRA but younger than the month he or she turns age 70. An "increment month" is any month an individual is eligible, but did not receive a retirement benefit.

The DRC amount is based on increment months which may increase an individual's retirement by varying amounts, depending on when he or she reaches FRA.

The per month reductions (by percentage) of Social Security retirement benefits that are started before one's FRA, and the annual DRC increases (by percentage) are summarized in the table on page 5.

Individuals can set up their own SSA account by going to

www.socialsecurity.gov/myaccount.

In so doing, an individual can download and view his or her overall Social Security benefits (in today's dollars) at any time.

What is the Best Age to Start Receiving Your Social Security Retirement Benefit?

The question of when (that is, at what age) an individual should start receiving his or her Social Security retirement benefit has been asked an immeasurable number of times. Unfortunately, there is in reality no one answer to this question that applies to

Year of Birth*	Year Individual Turns 62	Full Retirement Age (FRA)	Per Month Reduction If Benefits Begin Prior to FRA	Age 62 Benefits as % of FRA Benefits	Per Year Delayed Retirement Credits	Age 70 Benefits as % of FRA Benefits
1936 or prior	1998 or prior	65	5/9%	80%	6%	130%
1937	1999	65	5/9%	80%	6½%	132 ½%
1938	2000	65 and 2 mos.	5/9% for 36 mos. + 5/12%/mo.**	79 1/6%	6½%	131 5/12%
1939	2001	65 and 4 mos.	5/9% for 36 mos. + 5/12%/mo.**	78 1/3%	7%	132 2/3%
1940	2002	65 and 6 mos.	5/9% for 36 mos. + 5/12%/mo.**	77 ½%	7%	131 ½%
1941	2003	65 and 8 mos.	5/9% for 36 mos. + 5/12%/mo.**	76 2/3%	7½%	132 ½%
1942	2004	65 and 10 mos.	5/9% for 36 mos. + 5/12%/mo.**	75 5/6%	7½%	131 ¼%
1943–54	2005–16	66	5/9% for 36 mos. + 5/12%/mo.**	75%	8%	132%
1955	2017	66 and 2 mos.	5/9% for 36 mos. + 5/12%/mo.**	74 1/6%	8%	130 2/3%
1956	2018	66 and 4 mos.	5/9% for 36 mos. + 5/12%/mo.**	73 1/3%	8%	129 1/3%
1957	2019	66 and 6 mos.	5/9% for 36 mos. + 5/12%/mo.**	72 ½%	8%	128%
1958	2020	66 and 8 mos.	5/9% for 36 mos. + 5/12%/mo.**	71 2/3%	8%	126 2/3%
1959	2021	66 and 10 mos.	5/9% for 36 mos. + 5/12%/mo.**	70 5/6%	8%	125 1/3%
1960 or later	2022 or later	67	5/9% for 36 mos. + 5/12%/mo.**	70%	8%	124%

*Social Security considers people born on January 1 to have been born in the prior year.

**The monthly reduction is 5/9% for the first 36 months prior to full retirement age, and 5/12% for every month after the first 36 months

every individual. Some of the issues that are relevant to answering the questions: (1) Does the individual need the Social Security income to help pay his or her bills? (2) Is the individual married and if so, are half of the spouse's Social Security retirement benefit more than the individual's Social Security retirement benefit? (3) Would any family member (spouse, children under the age of 18) benefit by the individuals starting to receive the benefit? (family Social Security benefits will be discussed in a subsequent column); (4) Is the individual under FRA and still working? Those individuals under FRA and still working may have their Social Security benefits reduced - perhaps entirely- if their salary/wages are too high; and (5) How is the individual's health? If an individual in his or her early 60's and not in the best of health, it probably does not make sense to delay the start of one's Social Security retirement benefit.

The following examples illustrate the difference between electing permanently reduced retirement benefits at age 62 or waiting until one's FRA or until age 70. For each illustration, the examples do not project any future cost-of-living allowances (COLAs).

The first two examples:

Start receiving Social Security benefits at age 62 or at FRA?

Example 1 -

FRA = 66 (born 1943-1954)

Primary Insurance Amount = \$1,500

Monthly benefit at FRA = \$1,500

Monthly benefit at age 62 = \$1,125

(48 months before FRA; 25% reduction)

$\$1,125/\text{month} \times 48 \text{ months} = \$54,000$

(initial advantage of starting benefit at age 62)

$\$54,000/^{*}\$375 = 144 \text{ months or } 12 \text{ years}$

(*permanent reduction by starting benefit at age 62)

The initial advantage continues until age 78 (66 + 12 years), which is the breakeven age for total lifetime benefits. In other words, if the individual starts receiving the benefit at age 62 but dies before age 78, then the individual comes out ahead. If the individual dies after age 78, then the individual made the wrong decision to start receiving his or her Social Security benefit at age 62.

Example 2 -

FRA = 67 (born after 1959)

Primary Insurance Amount = \$1,500

Monthly benefit at FRA = \$1,500

Monthly benefit at age 62 = \$1,050

(60 months before FRA; 30% reduction)

$\$1,050/\text{month} \times 60 \text{ months} = \$63,000$

(initial advantage of starting benefit at age 62)

$\$63,000/^{*}\$450 = 140 \text{ months or } 11 \text{ years and } 8 \text{ months}$

(*permanent reduction by starting benefit at age 62)

The initial advantage continues until age 78 and 8 months (67 + 11 years and 8 months) which is the break-even age for total lifetime benefits. In other words, if the individual starts receiving the benefit at age 62 but dies before age 78 years and 8 months, then the individual comes out ahead. If the individual dies after age 78 years and 8 months, then the individual made the wrong decision to start receiving his or her Social Security benefit at age 62.

Next two examples:

Start taking Social Security benefits at FRA or wait until age 70?

Example 1-

FRA = 66 (born 1943-1954)

Monthly benefit at FRA = \$2,861

Month benefit at age 70 = \$3,776

(4 years x 8 percent/year DRC
= 32% increase of \$915)

\$2,861/month x 48 months = \$137,328 accrued
benefits at age 70

$\$137,328/\$915 = 150 \text{ months} = 12.5 \text{ years}$

The initial advantage of starting to take Social Security benefits at age 66 stops at age 70 plus 12.5 years, or 82.5 years. If the individual lives to at least age 82.5, then the decision to start receiving retirement benefits at age 70 was the correct decision.

"Breakeven" age is age 82.5

Example 2 -

FRA = 67 (born after 1959)

Monthly benefit at FRA = \$2,861

Monthly benefit at age 70 = \$3,548

(3 years x 8 months/year DRC = 24% increase of
\$687)

\$2,861/months x 36 months = \$102,996 accrued
benefits at age 70

$\$102,996/\$687 = 150 \text{ months} = 12.5 \text{ years}$

The initial advantage of starting to take Social Security benefits at age 67 stops at age 70 plus 12.5 years, or 82.5 years. Same conclusion as above.

"Breakeven" age is age 82.5

Some Other Items Related to an Individual's Social Security Retirement Benefit

1. An individual's PIA is adjusted annually by changes in the national indexing average wage. To the resulting PIA, cost-of-living adjustments (COLAs) when the year age 62 is attained and all subsequent years are applied. The 2020 COLA

was 1.6 percent, the COLA benefit increases become effective beginning with December of the prior year. For example, the 1.6 percent COLA applied to individuals receiving Social Security retirement benefits as of Dec.1, 2019.

2. Those individuals who are receiving a government (Federal, state or local)-sponsored pension in which they did not contribute to Social Security (for example, a CSRS annuitant) will most likely have their Social Security benefits reduced as a result of the Windfall Elimination Provision (WEP). The amount of reduction depends on the individual's years of "substantial" Social Security wages.

3. An individual who is receiving a Social Security retirement benefit but who continues to work in Social Security-covered employment will have his or her PIA automatically recomputed each year by the SSA. The result will be a higher monthly benefit retroactive to the beginning of that year. The reason is that the SSA computes the PIA based on an individual's highest 35 years of Social Security wages. Since wages earned currently will likely be larger than wages earned 35 years ago, the PIA will be larger, leading to a larger Social Security retirement benefit that year.

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When to Start Receiving Social Security Benefits

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Health & Wellbeing:

Keeping Cool: Anger Management Tips

Psychologists weigh in with tips to stay calm -

1. Insulation

"Just don't get angry in the first place." Easier said than done at times, but the doctors offer the 3 Antidotes (with a vapital 'A') - Appreciation, Affiliation, and Aspiration are 3 attitudes to take to steer one's thoughts away from anger.

2. Limit Media Intake

No one wants to be an ostrich in the sand (unless, of course, they've got their head in the sand...) but too much attention towards what's wrong with the world on a macro scale can make people angry, and they can then be more vulnerable to losing sight of what's going right with their lives, especially on a micro scale.

3. Know, Think, & Deal

Know your signs for when you're getting hot-headed, think through actions and words, and learn to manage (or Deal with) heightened energy- anger can be channeled constructively.



Listen to Ed on the
FEDLIFE PODCAST:
now on Spotify!

blog.stwserve.com/podcast

4. Find Healthy Distractions

People with anger management issues tend to have one trait in common- they stew on what's making them mad. Cooling out can be done effectively when positive, healthy distractions steer one's thoughts away from what is angering them. A good book, TV show, or musical piece (among countless other things) are some examples.



AGENCY SPOTLIGHT:

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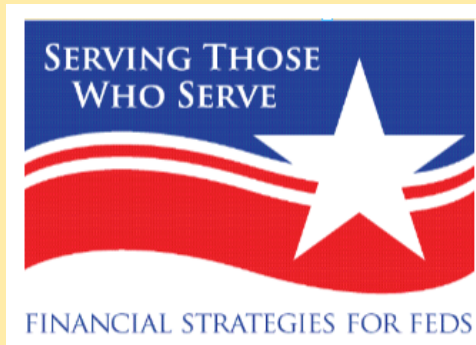
- Acronym: DARPA
- Established: 1957
- Located: Arlington, VA
- # of Employees: 220



source: darpa.mil

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Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications.