



A F E R S B E N E F I T S E D U C A T I O N S E R I E S

# Understanding Your FERS Benefits

*A practical guide for federal employees at every stage of their career*

PRESENTED BY

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President / CEO • District Mutual • American Benefits Exchange



# Who is American Benefits Exchange?

1

## EDUCATE

We train federal employees on the benefits and retirement system they actually have — not what they think they have.

2

## GUIDE

We surface the gaps in your benefits structure and offer practical solutions tailored to where you are right now.

3

## SHOW UP

We attend and present at local, regional, and national events because face-to-face education works.

## AT A GLANCE

### National

Corporate Partner of SDFM

### Federal

Benefits & Retirement Focus

### Nationwide

Events & Trainings

P R E S E N T E R

# Who Am I?



**Sergio Reyes**

ChFC • CLU

20+ YEARS

Specializing in federal employee benefits and retirement planning.

P R E S I D E N T /  
C E O

District Mutual — affiliate of American Benefits Exchange.





C R E D E N T I A L S

Chartered Financial Consultant and Chartered Life Underwriter.

O F F T H E C L O C K

Coaches high school and college flag football.

# The Five Pillars of Your FERS Future

<p>01 PENSION</p>  <p>How the FERS annuity is calculated and when you can claim it.</p>	<p>02 SOCIAL SECURITY</p>  <p>Including the FERS Annuity Supplement — who qualifies and when.</p>	<p>03 TSP</p>  <p>The 5% match, Roth vs. Traditional, and your distribution options.</p>	<p>04 FEGLI</p>  <p>What's covered, what it costs, and when to consider replacing it.</p>	<p>05 TAXES</p>  <p>The Tax Diversification Triangle — and where your benefits live.</p>
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*Plus: survivor benefits, FEHB into retirement, military buyback — and why none of this is one-size-fits-all.*

P I L L A R   O N E

# The FERS Pension

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01

OF FIVE

*A guaranteed lifetime income paid by the federal government. The cornerstone of your retirement.*

# FERS is a Three-Legged Stool

*Your federal retirement income comes from three distinct sources. Each one has different rules, different tax treatment, and different decisions to make.*

LEG 1



## FERS Pension

Defined benefit. Calculated by formula. Lifetime, government-paid annuity.

LEG 2



## Social Security

Earned through 40 quarters of credits. Plus the FERS Annuity Supplement if you qualify.

LEG 3



## Thrift Savings Plan

Your 401(k)-style account, with up to 5% government match. You control how it's invested.

# The FERS Pension Formula

$$\text{Years} \times \text{High-3} \times 1\% = \text{Pension}$$

Creditable Service

Top 3 Salary Years

(or 1.1%)

Annual Annuity

*1.1% multiplier applies if you retire at age 62 or later with at least 20 years of service. Otherwise it's 1%.*

## EXAMPLE • RETIRE AT 62

$$\begin{aligned} &30 \text{ yrs} \times \$90,000 \times 1.1\% \\ &= \mathbf{\$29,700 / year} \\ &\approx \$2,475 / \text{month for life} \end{aligned}$$

## EXAMPLE • RETIRE AT MRA

$$\begin{aligned} &25 \text{ yrs} \times \$85,000 \times 1.0\% \\ &= \mathbf{\$21,250 / year} \\ &\approx \$1,770 / \text{month for life} \end{aligned}$$

WHEN CAN YOU RETIRE?

# FERS Immediate Retirement Eligibility

**MRA (Minimum Retirement Age):** 55 if born before 1948 → gradually rising → 57 if born in 1970 or later.

AGE

**MRA**

**30+ yrs**

*of service*

Full immediate, unreduced

AGE

**Age 60**

**20+ yrs**

*of service*

Full immediate, unreduced

AGE

**Age 62**

**5+ yrs**

*of service*

Full — gets 1.1% multiplier with  
20+ yrs

AGE

**MRA + 10**

**10–29 yrs**

*of service*

Reduced 5% per year under age  
62

*Other paths: Deferred Retirement, Postponed Retirement, Disability Retirement, and special provisions for LEO/FF/ATC.*

P I L L A R   T W O

# Social Security

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*Plus the FERS Annuity Supplement — the bridge that fills the gap before age 62.*

# The FERS Annuity Supplement

## WHAT IT IS

A monthly payment from OPM that approximates the Social Security benefit you've earned through your federal service — paid until you turn 62.

## WHO QUALIFIES

- ✓ Retire at MRA with 30+ years of service
- ✓ Retire at age 60 with 20+ years of service
- ✓ Special provision (LEO / FF / ATC) — any age

## WHEN IT ENDS

# Age 62

*Stops automatically — even if you don't claim Social Security yet.*

## EARNINGS TEST

If you take a post-retirement job, the Supplement is reduced \$1 for every \$2 earned over the annual SS earnings limit.

P I L L A R   T H R E E

# The Thrift Savings Plan

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*Your 401(k)-style account — where free government money meets your own discipline.*

# The 5% Match Is Free Money

YOU CONTRIBUTE

5%

GOVERNMENT MATCHES

5%

*Instantly 100% return on your contribution.*

1

### 1% Automatic

The government deposits 1% of your salary whether you contribute or not.

2

### Dollar-for-Dollar

On the next 3% you contribute, the government matches 100%.

3

### Fifty-Cents

On the 4th and 5th percent, the government matches 50%.

*Contribute less than 5% and you leave guaranteed money on the table — every paycheck, for the rest of your career.*

# Your TSP Distribution Options

*There is no single right answer. The best option depends on your tax picture, income needs, longevity expectation, beneficiary plan, and risk tolerance.*

## 1 LEAVE IN TSP

Lowest fees in the industry, but limited withdrawal flexibility and fund choices.

## 2 FULL WITHDRAWAL

Cash out everything. Triggers a large tax bill and ends tax-deferred growth.

## 3 INSTALLMENTS

Set monthly amount or based on life expectancy. Adjustable annually.

## 4 METLIFE ANNUITY

Convert to lifetime income. Irrevocable — your money leaves the TSP forever.

## 5 ROLL TO IRA / ROTH

More investment options, more flexibility, and access to specialized strategies.

*Among the most consequential — and only sometimes reversible — decisions you'll ever make.*

P I L L A R   F O U R

# FEGLI

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04  
OF FIVE

*Federal Employees' Group Life Insurance — what's covered, what it costs, and when to walk away.*

# The Four Coverage Types

FEGLI is term life insurance offered through your employer. It's automatic for most new hires, but the costs and coverage you actually need are not.

## BASIC

COVERAGE

**Salary + \$2,000**

Low when young

Required to elect any other FEGLI option. Premiums grow modestly with age.

## OPTION A

COVERAGE

**\$10,000 flat**

Low cost

A small additional benefit. Costs increase with age but stay modest.

## OPTION B

COVERAGE

**1×–5× Salary**

Costs EXPLODE

Premiums rise every 5 years starting at age 40. The biggest cost surprise in FEGLI.

## OPTION C

COVERAGE

**Family coverage**

Capped

Spouse capped at \$25,000 / child at \$12,500. Coverage on children ends at age 22.

# Why Costs Explode After Age 40

Option B premiums rise every five years. The same coverage costs almost 100x more in your 80s than in your 40s.

AGE GROUP	PER \$1,000	BIWEEKLY (\$490K)
Under 35	\$0.02	—
35 – 39	\$0.02	—
<b>40 – 44</b>	<b>\$0.03</b>	<b>\$14.70</b>
45 – 49	\$0.06	\$29.40
50 – 54	\$0.10	\$49.00
55 – 59	\$0.18	\$88.20
<b>60 – 64</b>	<b>\$0.40</b>	<b>\$196.00</b>
65 – 69	\$0.48	\$235.20
70 – 74	\$0.86	\$421.40
75 – 79	\$1.80	\$882.00
<b>80 +</b>	<b>\$2.88</b>	<b>\$1,411.20</b>

A T A G E 4 3

**\$14.70**

*biweekly for \$490,000 of coverage*

A T A G E 6 0

**\$196.00**

*biweekly for the same \$490,000*

# When to Consider Replacing FEGLI

*FEGLI is a useful default — but it's a default, not a fit. Run through this checklist before your next premium increase.*

## CONSIDER REPLACING IF ...

- ✓ Approaching 40, 45, or 50 and your premium just jumped
- ✓ In good health — can underwrite a private term policy
- ✓ Need coverage to last past retirement, locked in today
- ✓ Your spouse needs more than \$25,000 of coverage
- ✓ Children need more than \$12,500 — or past age 22

## FEGLI MAY STILL FIT IF ...

- ⚠ Health conditions prevent private underwriting
- ⚠ Under 40 and the cost is still very low
- ⚠ You only need a modest, short-term safety net
- ⚠ Past 65, where new private policies aren't cost-effective

***Never cancel FEGLI before private coverage is approved and in force.***

P I L L A R F I V E

# Understanding Taxes

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05  
OF FIVE

*Where your retirement dollars actually live — and why mixing buckets matters.*

# Three Tax Buckets, Three Outcomes

TAX • TAX • TAX

## TAXABLE

*Tax going in. Tax growing. Tax coming out.*

- Stocks
- Bonds
- Brokerage / Mutual Funds
- Crypto
- Checking / Savings
- Real Estate Equity

DEFER • DEFER • TAX

## TAX-DEFERRED

*No tax now. Grows tax-free. Taxed at withdrawal.*

- Traditional TSP
- Traditional 401(k) / 403(b)
- Traditional IRA
- Annuity
- FERS Pension
- Social Security (mostly)

TAX • FREE • FREE

## TAX-FREE / FAVORABLE

*Tax now. Grows tax-free. Distributes tax-free.*

- Roth TSP
- Roth 401(k)
- Roth IRA
- Municipal Bonds
- Permanent Life Insurance
- Service-Connected Disability

***The goal isn't to be in one bucket — it's to have flexibility across all three.***

# Where Each FERS Benefit Lives

Most federal employees retire heavily concentrated in the tax-deferred bucket. That looks fine on a statement — and creates real problems in retirement.

## TAXABLE

### Outside investments

*Brokerage, savings, crypto*

### Real estate equity

*Net of mortgage*

## TAX-DEFERRED

### Traditional TSP

*The default for most feds*

### FERS Pension

*Fully taxable as ordinary income*

### Annuity Supplement

*Taxable until age 62*

### Social Security

*Up to 85% taxable*

## TAX-FREE / FAVORABLE

### Roth TSP

*Available — and underused*

### Roth IRA

*If under income limits*

### Permanent life insurance

*Cash value, tax-favored*

### VA disability

*Tax-free if service-connected*

*If 90% of your retirement income is taxable, your tax bill in retirement could be larger than it is today.*

# Three Decisions That Move the Needle



## ESSENTIALLY IRREVOCABLE

### **SURVIVOR BENEFIT**

Reduces your annuity by 10% (full) or 5% (partial) — but your spouse's FEHB depends on this election. The wrong choice can leave a surviving spouse without health coverage.



## 5-YEAR RULE

### **FEHB IN RETIREMENT**

You must be enrolled in FEHB for the 5 years immediately before retirement to carry it into retirement. Once you lose it, you can't get it back. Treat this rule like a tripwire.



## ADD YEARS TO YOUR PENSION

### **MILITARY BUYBACK**

Buying back prior military service adds creditable years to your FERS calculation, can move retirement eligibility up, and raises your annuity for life — typically a strong return.

T H E B I G I D E A

# There is no one-size-fits-all federal retirement.

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*Two FERS employees with the same job, the same salary, and the same years of service can — and should — make completely different decisions.*

Age

Health

Spouse

Children

Debt

Savings

Taxes

Goals

# 10 Mistakes Federal Employees Make

*If anything you've heard tonight feels familiar — these are the patterns we see most often.*

**1** Never attending a federal benefits & retirement training

**2** Paying way too much for FEGLI Option B

**3** Not maximizing the 5% TSP match

**4** Not understanding all the TSP distribution options

**5** Neglecting to save & plan well enough for retirement

**6** Not purchasing back prior military time

**7** Making the wrong survivor's benefit selection

**8** Not having a plan to pay off debt

**9** Failing to properly insure spouse & children

**10** Skipping a personalized benefits review

*It's not your fault — federal employees simply don't know what they don't know.*

WHAT NOW?

# Your Next Step: A Personalized Review

*A 30–45 minute conversation that puts your specific numbers into your specific situation. No cost. No pressure.*

Step 01

## GATHER

We pull your benefits statement, TSP, FEGLI selections, and service computation date.

Step 02

## ANALYZE

We model your pension, supplement, and tax picture across three retirement scenarios.

Step 03

## REVIEW

We walk you through what's working, what's not, and the specific moves available to you.

Schedule yours: [Sergio.reyes@districtmutual.com](mailto:Sergio.reyes@districtmutual.com) • (202) 431-3957

T H A N K   Y O U

Plan early.  
Plan often.  
Plan personally.



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