



BARFIELD

FINANCIAL

FERS RETIREMENT ANALYSIS

John M. Sample

April 3, 2021

Barfield Financial, LLC
Chris Barfield, CPA
275 Medical Drive
Box 4721
Carmel, IN 46032

chris@barfieldfinancial.com

Disclaimer

This report is an estimate of the client's Federal Employee Retirement System (FERS) benefits based on information furnished by the client. Components of a FERS benefit package consists of, but is not limited to, Federal Employees Health Benefit (FEHB), Federal Employees Group Life Insurance (FEGLI), Thrift Savings Plan (TSP), Federal Long Term Care Insurance Plan (FLCIP), and the Retiree Annuity Supplement (RAS). Virtually every number contained in this report is an estimate that requires speculation about the future. This speculation includes market gains and losses, potential raises, increases in insurance rates, Social Security estimates, and the continuation of the FERS benefits themselves. FERS benefits have been addressed by Congress multiple times in recent years regarding changing, or even eliminating some of the benefits. No permanent decision should be based upon the numbers contained in this worksheet.

The information provided in this document does not constitute investment or financial advice. All analysis is provided "AS IS" without warranties of any kind. Neither Barfield Financial, LLC nor any agent or employee of Barfield Financial, LLC shall be liable for any damages (actual or perceived, direct or indirect, financial or non-financial), arising from the use of the information contained herein.

The Office of Personnel Management (OPM) holds the final determination of retirement benefits. Barfield Financial, LLC possesses no authority or influence of any kind over OPM, and should not be construed as having such.

The format and presentation of this report, as well as the arrangement and compilations of formulas from which the data is derived, is copyrighted and wholly owned by Barfield Financial, LLC. All rights are reserved. This report cannot be duplicated, in part or in whole, without permission from Barfield Financial, LLC. Clients of Barfield Financial, LLC may use and copy the report for their own personal use as desired.

© 2021 Barfield Financial, LLC

Benefits Summary

SAMPLE

FERS Benefits Summary

(All numbers are hypothetical based on data submitted by the client. Any changes in assumptions will alter the final amounts.)



Name **John M. Sample**

Retirement Date **12/31/2021**

Average High-3 Salary **\$144,709.67**

Service Computation Percentage **43.00%**

	<u>Annual</u>	<u>Monthly</u>
<u>Estimated Income</u>		
FERS Annuity	\$ 62,225	\$ 5,185.43
Retiree Annuity Supplement	\$ 15,718	\$ 1,309.80
Military Disability	\$ -	\$ -
Estimated Gross Income	\$ 77,943	\$ 6,495.23
<u>Estimated Expenses</u>		
Survivor's Benefit (10%)	\$ 6,222.52	\$ 518.54
FEHB	\$ 6,216.77	\$ 518.06
Dental	\$ 1,748.41	\$ 145.70
Vision	\$ -	\$ -
FEGLI	\$ 4,674.60	\$ 389.55
FLTCIP	\$ -	\$ -
Income Tax-Federal	\$ 8,000.00	\$ 666.67
Income Tax-State	\$ 2,500.00	\$ 208.33
Other	\$ -	\$ -
Other	\$ -	\$ -
Total Deductions	\$ 29,362.29	\$ 2,446.86
Estimated Net	<u>\$ 48,580.47</u>	<u>\$ 4,048.37</u>

Service Credit Computation

FERS Service Time

<u>Agency</u>	<u>Start Date</u>	<u>End Date</u>	<u>Years</u>	<u>Months</u>	<u>Days</u>
FERS Government	6/15/1998	12/31/2021	23	6	17

Military Service Time Purchased

<u>Branch</u>	<u>Start Date</u>	<u>End Date</u>	<u>Years</u>	<u>Months</u>	<u>Days</u>
Marines	9/15/1986	3/13/1991	4	5	27

Sick Time Credited

	<u>Hours</u>	<u>Years</u>	<u>Months</u>	<u>Days</u>
Current	1943		11	19
Future	<u>80</u>			
Total	<u>2023</u>			
	TOTAL	<u>29</u>	<u>0</u>	<u>3</u>

Total Service Percentage:

Regular FERS	1% each year
Regular FERS > 20 years	1.1% each year at age 62
SCE FERS	1.7% 1st 20 years

It is important to remember that the retiree does not receive any credit for any of the hanging, or remaining, days. OPM only gives credit for whole years and whole months. It is common, therefore, for the retiree to use that amount of time by taking the equivalent sick leave hours.

It is vital that if someone is going to take this approach, they need to consult the sick leave conversion chart to determine exactly how many hours are represented by the remaining days. It is INCORRECT to assume that 1 Sick Day for retirement calculations is equivalent to 8 hours. **It is not.** It is closer to 5.797 hours. The sick leave conversion chart MUST be consulted. See Resources page for the chart.

Retiree Annuity Supplement (RAS) Calculation

Whole FERS Years Less Military Credit	24
Estimated Social Security Benefit at 62	\$ 2,183.00
Estimated Monthly RAS	\$ 1,309.80
Estimated Annual RAS	\$ 15,717.60

In order for someone to be eligible for the RAS, they generally have to retire on an immediate annuity. The rules are somewhat complicated however.

The Retirement Annuity Supplement is known by several names: The Social Security Supplement, the Special Retirement Supplement, the Bridge Payment, or simply the FERS Supplement. OPM refers to it officially as the Retiree Annuity Supplement and the Special Retirement Supplement.

The RAS has no impact on a retiree's future Social Security benefit, but it does borrow some rules from Social Security regarding how it is administered, which may be the source of confusion.

The RAS payments end at age 62 for all retirees. It can be reduced, or eliminated, prior to that as well. Once a retiree reaches their Minimum Retirement Age (MRA), the RAS is earnings tested. This means that if a retiree earns more than \$18,960 for 2021 after reaching their MRA, at least a portion of the RAS will be lost. The exact formula is this: For every \$2 over the limit in a year, the retiree loses \$1 of the RAS. For example, if an individual who has reached their MRA, earns \$24,960 in 2021 (\$5,000 over the limit), \$2,500 of their RAS will be deducted in the coming year.

Prior to an individual reaching their MRA, they can earn unlimited income without fear of the RAS being reduced. Two things have to happen for the earnings test to apply: the individual has to have reached their MRA, and the individual has to have earned over the limit after reaching that MRA.

Federal Employees Health Benefit

Current Bi-weekly FEHB \$ 229.91
 Equivalent Monthly Cost \$ 498.14

<u>Year</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
2021	\$ 498.14	\$ 5,977.66
2022	\$ 518.06	\$ 6,216.77
2023	\$ 538.79	\$ 6,465.44
2024	\$ 560.34	\$ 6,724.05
2025	\$ 582.75	\$ 6,993.02
2026	\$ 606.06	\$ 7,272.74
2027	\$ 630.30	\$ 7,563.65
2028	\$ 655.52	\$ 7,866.19
2029	\$ 681.74	\$ 8,180.84
2030	\$ 709.01	\$ 8,508.07
2031	\$ 737.37	\$ 8,848.40

Vision Insurance

Current Bi-weekly Vision \$ -
 Equivalent Monthly Cost \$ -

<u>Year</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
2021	\$ -	\$ -
2022	\$ -	\$ -
2023	\$ -	\$ -
2024	\$ -	\$ -
2025	\$ -	\$ -
2026	\$ -	\$ -
2027	\$ -	\$ -
2028	\$ -	\$ -
2029	\$ -	\$ -
2030	\$ -	\$ -
2031	\$ -	\$ -

Dental Insurance

Current Bi-weekly Dental \$ 64.66
 Equivalent Monthly Cost \$ 140.10

<u>Year</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
2021	\$ 140.10	\$ 1,681.16
2022	\$ 145.70	\$ 1,748.41
2023	\$ 151.53	\$ 1,818.34
2024	\$ 157.59	\$ 1,891.08
2025	\$ 163.89	\$ 1,966.72
2026	\$ 170.45	\$ 2,045.39
2027	\$ 177.27	\$ 2,127.20
2028	\$ 184.36	\$ 2,212.29
2029	\$ 191.73	\$ 2,300.78
2030	\$ 199.40	\$ 2,392.81
2031	\$ 207.38	\$ 2,488.53

Projected Inflation Rate
4%

Federal Employees Group Life Insurance (FEGLI)

You currently have the following coverage amounts

		<u>Multiples</u>	<u>Bi-weekly Cost</u>
Basic	\$ 150,000	N/A	\$ 22.50
Option A	\$ 10,000	N/A	\$ 1.10
Option B	\$ 740,000	5	\$ 81.40
Option C	\$ 25,000 wife	5	\$ 4.60
	\$ 12,500 per child	5	\$ 109.60

Projected amounts of coverage and costs at retirement

Age at the start of retirement

51

	<u>Coverage</u>	<u>Monthly Cost</u>	<u>Annual Cost</u>
Basic	\$ 150,000	\$48.75	\$585.00
Option A	\$ 10,000	\$4.33	\$51.96
Option B	\$ 740,000	\$176.12	\$2,113.44
Option C	\$ 25,000 wife	\$16.05	\$192.60
	\$ 12,500 per child		

Totals	\$245.25	\$2,943.00
---------------	-----------------	-------------------

Projected future costs for FEGLI

Monthly Costs

	<u>Basic</u>	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Total Annual Cost</u>
40-44					\$ -
45-49					\$ -
50-54	\$ 48.75	\$ 4.33	\$ 176.12	\$ 16.05	\$ 2,943.00
55-59	\$ 48.75	\$ 4.33	\$ 320.42	\$ 16.05	\$ 4,674.60
60-64	\$ 48.75	\$ 13.00	\$ 705.22	\$ 29.25	\$ 9,554.64
			Total Cost until Age 65		\$ 82,918.20

Estimates assume 75% reduction at age 65

Monthly FEGLI Rates

<u>Age Bracket</u>	<u>Basic</u>	<u>Option A</u>	<u>Option B per multiple</u>	<u>Option C Per multiple</u>
40-44	\$0.325	\$0.870	\$0.087	\$0.890
45-49	\$0.325	\$1.520	\$0.152	\$1.280
50-54	\$0.325	\$2.380	\$0.238	\$1.990
55-59	\$0.325	\$4.330	\$0.433	\$3.210
60-64	\$0.325	\$13.000	\$0.953	\$5.850

Explanation of FEGLI Costs

FEGLI is a life insurance plan available to federal employees. It is comprised of 4 separate parts: Basic, Option A, Option B, and Option C. Those parts correspond to the following coverages:

Basic	Approximately 1 times an employee's salary, depending on age.
Option A	An additional \$10,000 of coverage on the employee
Option B	An additional 1 to 5x of the employee's salary of coverage on the employee
Option C	Coverage for spouse and/or children. Coverage for a spouse can be up to \$25,000, while coverage for each child can be up to \$2,500

The cost of FEGLI is based primarily on two factors: salary and age. As each one of these factors increases, the various costs of FEGLI increase as well. This is shown by the rates on the previous page. To be more specific, every 5 years, an individual moves up to the next rate bracket. As one can see, it begins to increase greatly as a person ages. Often times, employees and retirees have found cheaper coverage in the private industry.

FEGLI "Basic" coverage operates uniquely from the "Options" as it does not increase when we age. It only increases when the employee's salary does.

Barfield Financial, LLC does not endorse a particular insurance product or type (FEGLI, SAMBA, Whole Life, Term Life, etc). However, Barfield Financial, LLC does encourage individuals to compare their current coverage needs and costs with other companies and products. For some, FEGLI may be the best option. Others may find a tremendous savings by switching to a non-government policy. Savings of \$30,000 or more over a 20-year period are not uncommon when one switches from FEGLI to a term life policy. But each situation is unique and needs to be approached as such. No blanket statement should be made regarding "everyone" getting out of FEGLI. It may be worth investigating, though.

FEGLI can be one of the more confusing benefits due to the array of choices available when one retires and how that impacts the costs at age 65. It is highly encouraged that an individual research FEGLI rates and plan details by reading the FEGLI handbook. A link is available on the resource page at the end of this report.

**Pre-Retirement Income vs Retirement
Income Comparison**

Comparison of Income Now vs First Year of Retirement

	<u>Annual</u>	<u>Monthly</u>	<u>Pay Period</u>
Gross Income Currently	\$ 147,256	\$ 12,271	\$ 5,664
Gross Income in Retirement	\$ 77,943	\$ 6,495	
Difference	\$ 69,313	\$ 5,776	
Net Income Currently	\$ 83,590	\$ 6,966	\$ 3,215
Net Income in Retirement	\$ 48,580	\$ 4,048	
Difference	\$ 35,010	\$ 2,917	

In this particular analysis, the difference in **net income** is generally considered more useful than the difference in **gross income**. This is due to the fact that the type and amount of deductions coming out of a pre-retirement check are much different than what comes out of a retirement check. For example, TSP deductions, FERS Retirement deductions, Social Security Tax (OASDI) and Medicare Tax are not being deducted from the former employee's retirement check.

It should be noted that this is a comparison of the employee's earnings now versus when they start retirement. If those two dates are years apart from each other (i.e., the employee is not retiring soon), the employee should understand the future retirement income is being compared to the current working income, which will likely change as the employee gets closer to retirement.

Finally, the retirement income presented is what is estimated at the start of retirement. That amount may change due to the loss of the RAS, filing for Social Security, etc. It is not meant to be a long-term projection, but rather a snapshot between two specific dates.

Thrift Savings Plan

Thrift Savings Plan Future Valuation (Traditional)

(Like other estimates in this report, these numbers are highly dependent upon speculation. This includes speculation about future market returns, future salaries, and more. The results projected on this page are in no way meant to be a guarantee of what a future TSP balance will be. In fact, it would be quite shocking if the future actually amount matched any number on this page exactly.)

Current Traditional TSP Balance	\$	1,052,492.50
Current Bi-weekly Employee Contribution	\$	750.00
Current Agency Bi-weekly Matching	\$	282.69
Total Bi-weekly Contribution	\$	1,032.69
Total Monthly Contribution	\$	2,237.50

Number of Months Until Retirement 9

Assuming the same contribution rate, and averaging the following returns, the TSP balance at retirement will be approximately:

Average Annual Returns	TSP Balance
0%	\$ 1,072,629.96
2%	\$ 1,088,657.78
4%	\$ 1,104,899.62
6%	\$ 1,121,357.98
8%	\$ 1,138,035.39
10%	\$ 1,154,934.40

After retirement, if the TSP balance is left in the account and allowed to grow with no withdrawals, and no further contributions, and averaging the following returns, the balance in 5 years would be approximately:

Average Annual Returns	TSP Balance
0%	\$ 1,072,629.96
2%	\$ 1,203,052.77
4%	\$ 1,349,078.67
6%	\$ 1,512,543.88
8%	\$ 1,695,497.14
10%	\$ 1,900,223.88

Thrift Savings Plan Future Valuation (Roth)

(Like other estimates in this report, these numbers are highly dependent upon speculation. This includes speculation about future market returns, future salaries, and more. The results projected on this page are in no way meant to be a guarantee of what a future TSP balance will be. In fact, it would be quite shocking if the future actually amount matched any number on this page exactly.)

Current Roth TSP Balance \$ -

Current Bi-weekly Employee Contribution \$ -

Current Agency Bi-weekly Matching \$ -

Total Bi-weekly Contribution \$ -

Total Monthly Contribution \$ -

Number of Months Until Retirement 9

Assuming the same contribution rate, and averaging the following returns, the

Average Annual Returns	TSP Balance
0%	\$ -
2%	\$ -
4%	\$ -
6%	\$ -
8%	\$ -
10%	\$ -

After retirement, if the TSP balance is left in the account and allowed to grow

Average Annual Returns	TSP Balance
0%	\$ -
2%	\$ -
4%	\$ -
6%	\$ -
8%	\$ -
10%	\$ -

Thrift Savings Plan Historical Returns

(Past performance is no guarantee of future results!)

Primary Funds

<u>Time Period</u>	<u>G Fund</u>	<u>F Fund</u>	<u>C Fund</u>	<u>S Fund</u>	<u>I Fund</u>
1 Year (2020)	0.97%	7.50%	18.31%	31.85%	8.17%
3 Year	2.03%	5.38%	14.13%	15.25%	4.68%
5 Year	2.05%	4.57%	15.20%	16.06%	7.99%
10 Year	2.04%	4.07%	13.90%	13.32%	5.87%

Lifecycle Funds

<u>Time Period</u>	<u>L Income</u>	<u>L2030</u>	<u>L2040</u>	<u>L2050</u>
1 Year (2020)	5.15%	11.26%	13.16%	14.90%
3 Year	4.45%	8.05%	9.11%	9.99%
5 Year	4.62%	9.12%	10.35%	11.42%
10 Year	4.26%	8.35%	9.34%	n/a

There are other L Funds available in 5 year increments, i.e., 2035, 2045. Those funds were created in late 2020 and do not have multiple return year information available.

All numbers are obtained from tsp.gov and Barfield Financial, LLC is not responsible for any inaccuracies.

Thrift Savings Plan Information

Please consult www.tsp.gov for more information

The TSP will likely constitute the largest investment asset most federal retirees will have. That can create a daunting challenge for the retiree. Considerations need to be made to address tax obligations, preservation of capital, withdrawal options, and estate planning. The TSP website is a wealth of information regarding most of these decisions. However, a retiree may benefit from a professional's opinion. This professional may be a Certified Financial Planner (CFP), Certified Public Accountant (CPA), investment advisor, estate planner, or a combination of the four.

This report is in no way a substitute for any of the above. It is simply an estimation of what an individual's TSP balance may be at any given time. It is strongly encouraged that the retiree speak to a professional that understands their total financial picture, and who also understands FERS and the TSP. Barfield Financial, LLC does not endorse or recommend any specific TSP allocation or withdrawal strategy.

That being said, the following are some of the current options a retiree may elect for the TSP balance:

- 1 Do nothing.** There is generally no requirement for the retiree to remove any money from their account. There are some exceptions regarding inherited TSP accounts, or when a participant reaches 72 years of age, however.
- 2 Transfer it to an IRA.** Traditional TSP accounts can be transferred both to and from Traditional IRA accounts. Roth TSP accounts can be transferred to Roth IRAs, but a Roth IRA cannot be transferred into a Roth TSP.
- 3 Withdraw money.** Under new TSP rules, a retired participant may elect recurring monthly, quarterly, or annual withdrawals. Unlike previous rules, current rules allow the retiree to change the frequency and amounts throughout the year. Additionally, lump-sum (i.e., not scheduled) withdrawals can be made, given some restrictions. Understand most withdrawals result in a tax obligation for the retiree. Please seek tax guidance prior to making a withdrawal.
- 4 Purchase an annuity.** While this may seem similar to a typical withdrawal, it is not. Part or all of the TSP balance is used to purchase a product that will produce monthly payments to the purchaser for life. These are complicated products with very strict rules, so it is vital to seek some professional guidance prior to purchasing one of these.

Barfield Financial, LLC highly recommends each retiree read the literature at TSP.gov, especially publication TSPBK02 "*Withdrawing from Your TSP Account*". Also look at the resources page for further information.

**Future Income and Future Expense
Projections**

Federal Income Projection into Retirement (Annual)

<u>Age</u>	<u>FERS Annuity after Survivor Deduction</u>	<u>RAS</u>	<u>Social Security</u>	<u>Gross Income Pre- Tax</u>
50				\$ -
51				\$ -
52				\$ -
53				\$ -
54				\$ -
55				\$ -
56	\$ -	\$ -		\$ -
57	\$ 56,003	\$ 15,718		\$ 71,720
58	\$ 56,787	\$ 15,718		\$ 72,504
59	\$ 57,582	\$ 15,718		\$ 73,299
60	\$ 58,388	\$ 15,718		\$ 74,105
61	\$ 59,205	\$ 15,718		\$ 74,923
62	\$ 60,034		\$ 26,196	\$ 86,230
63	\$ 60,875		\$ 26,615	\$ 87,490
64	\$ 61,727		\$ 27,041	\$ 88,768
65	\$ 62,591		\$ 27,474	\$ 90,065
66	\$ 63,467		\$ 27,913	\$ 91,381
67	\$ 64,356		\$ 28,360	\$ 92,716
68	\$ 65,257		\$ 28,814	\$ 94,070
69	\$ 66,170		\$ 29,275	\$ 95,445
70	\$ 67,097		\$ 29,743	\$ 96,840
71	\$ 68,036		\$ 30,219	\$ 98,255
72	\$ 68,989		\$ 30,702	\$ 99,691
73	\$ 69,955		\$ 31,194	\$ 101,148
74	\$ 70,934		\$ 31,693	\$ 102,627
75	\$ 71,927		\$ 32,200	\$ 104,127
76	\$ 72,934		\$ 32,715	\$ 105,649
77	\$ 73,955		\$ 33,238	\$ 107,193
78	\$ 74,990		\$ 33,770	\$ 108,761
79	\$ 76,040		\$ 34,311	\$ 110,351
80	\$ 77,105		\$ 34,860	\$ 111,964
81	\$ 78,184		\$ 35,417	\$ 113,602
82	\$ 79,279		\$ 35,984	\$ 115,263
83	\$ 80,389		\$ 36,560	\$ 116,948
84	\$ 81,514		\$ 37,145	\$ 118,659
85	\$ 82,655		\$ 37,739	\$ 120,394
86	\$ 83,813		\$ 38,343	\$ 122,155
87	\$ 84,986		\$ 38,956	\$ 123,942
88	\$ 86,176		\$ 39,580	\$ 125,755
89	\$ 87,382		\$ 40,213	\$ 127,595
90	\$ 88,606		\$ 40,856	\$ 129,462

Federal Expense Projection into Retirement (Annual)

<u>Age</u>	<u>FEHB</u>	<u>Dental/Vision</u>	<u>FLTCIP</u>	<u>FEGLI</u>	<u>Total Expense</u>
50					\$ -
51				\$ 2,943	\$ -
52				\$ 2,943	\$ -
53				\$ 2,943	\$ -
54				\$ 2,943	\$ -
55				\$ 4,675	\$ -
56	\$ -	\$ -		\$ 4,675	\$ -
57	\$ 6,217	\$ 1,748		\$ 4,675	\$ 7,965
58	\$ 6,465	\$ 1,818		\$ 4,675	\$ 8,284
59	\$ 6,724	\$ 1,891		\$ 4,675	\$ 8,615
60	\$ 6,993	\$ 1,967		\$ 9,555	\$ 8,960
61	\$ 7,273	\$ 2,045		\$ 9,555	\$ 9,318
62	\$ 7,564	\$ 2,127		\$ 9,555	\$ 9,691
63	\$ 7,866	\$ 2,212		\$ 9,555	\$ 10,078
64	\$ 8,181	\$ 2,301		\$ 9,555	\$ 10,482
65	\$ 8,508	\$ 2,393		\$ -	\$ 10,901
66	\$ 8,848	\$ 2,489			\$ 11,337
67	\$ 9,202	\$ 2,588			\$ 11,790
68	\$ 9,570	\$ 2,692			\$ 12,262
69	\$ 9,953	\$ 2,799			\$ 12,752
70	\$ 10,351	\$ 2,911			\$ 13,263
71	\$ 10,765	\$ 3,028			\$ 13,793
72	\$ 11,196	\$ 3,149			\$ 14,345
73	\$ 11,644	\$ 3,275			\$ 14,919
74	\$ 12,110	\$ 3,406			\$ 15,515
75	\$ 12,594	\$ 3,542			\$ 16,136
76	\$ 13,098	\$ 3,684			\$ 16,781
77	\$ 13,622	\$ 3,831			\$ 17,453
78	\$ 14,167	\$ 3,984			\$ 18,151
79	\$ 14,733	\$ 4,144			\$ 18,877
80	\$ 15,323	\$ 4,309			\$ 19,632
81	\$ 15,935	\$ 4,482			\$ 20,417
82	\$ 16,573	\$ 4,661			\$ 21,234
83	\$ 17,236	\$ 4,847			\$ 22,083
84	\$ 17,925	\$ 5,041			\$ 22,967
85	\$ 18,642	\$ 5,243			\$ 23,885
86	\$ 19,388	\$ 5,453			\$ 24,841
87	\$ 20,163	\$ 5,671			\$ 25,834
88	\$ 20,970	\$ 5,898			\$ 26,868
89	\$ 21,809	\$ 6,134			\$ 27,942
90	\$ 22,681	\$ 6,379			\$ 29,060