

The Saving of the Green

By Tammy Flanagan

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When my husband and I lived in Northern Virginia, he always wanted to see green grass by March 17. That might be because our last name is Flanagan, or just that he takes great pride in maintaining our yard — probably a little of both. (It's a good thing we've moved to Florida, where things are green year-round, because right now Northern Virginia's grass is snow-covered.)

Green isn't just the color of a lush lawn or St. Patrick's Day attire. It's also a popular color when thinking about your retirement needs. After all, it's the color of money.

In the movie *Wall Street*, Carl Fox (played by Martin Sheen) says, "Money's only something you need in case you don't die tomorrow." That's retirement planning in a nutshell: You'll need a lot more to finance a retirement that is going to last 30 or 40 years than you would if you were only going to be retired for five to 10 years.

In fiscal 2014, the [average age of a new federal retiree was 61.4](#). According to [data compiled by the Social Security Administration](#):

- A man reaching 65 today can expect to live, on average, until age 84.3.
- A woman turning 65 today can expect to live, on average, until age 86.6.
- About one in four 65-year-olds today will live past 90, and one in 10 will live past 95.

One of the things I say in the pre-retirement classes I teach is that there's always a way to achieve a financially secure life after retirement. The first and best way is to plan ahead and begin to visualize your retirement in the early years of your career. Federal employees hired today must diligently save for retirement and understand their benefits in order to retire on schedule. This requires both flexibility and patience to adapt to changes in your life, congressional and administrative changes in your benefits and the ups and downs of the markets in which your retirement savings are invested.

If you've neglected to plan for your retirement early in your career, or if changes have derailed your plan, then the other option is to work longer so your benefits and savings grow larger. At some point, you'll have enough retirement income to meet your financial needs.

In the old days, rigorous planning wasn't required. For example, my Uncle Steve started to work for the federal government after serving his country during World War II. By the time he was 55 years old, he had over thirty years of federal service under the Civil Service Retirement System and he was able to retire comfortably. He filed his application for retirement benefits 30 days before he turned 55, and that was that.

Today's retirees, especially those covered under the Federal Employees Retirement System, are in a very different situation. Their retirement is a combination of a defined benefit (the FERS basic annuity), Social Security retirement and the Thrift Savings Plan. To some degree, longtime career federal employees can still get by without too much advance planning because Social Security and the FERS basic annuity are available to today's retirees much the same way as the CSRS annuity was there for Uncle Steve. The TSP, however, is the piece of FERS that makes early retirement possible — or means you have to work longer if you haven't saved enough money in your account during your working years.

Under FERS, the combination of the basic benefit and Social Security can go a long way toward replacing your pre-retirement income. FERS employees earn a benefit of 1 percent (or 1.1 percent for those who retire at 62 or later with at least 20 years of service) of their high-three average salary for every year of creditable service. After 30 years, that's 30 percent (33 percent if retired at 62 or later) of the high-three average salary.

Social Security retirement benefits will replace, on average, about [40 percent of your pre-retirement wages](#) if you retire at your full retirement age. The percentage is lower for people in upper income brackets and higher for people with low incomes. Your benefit amount is based on your earnings averaged over the highest 35 years of your working career.

Some retirees may be able to meet their daily living expenses on Social Security and the FERS basic retirement benefit alone, but especially for those who had higher incomes during their working years, the TSP is the key to financial security in retirement and the ability to retire at a younger age. [TSP calculators](#) can help you determine [how much you can save](#) during your career and show how those savings can provide an important third stream of [retirement income](#).

Of course, there's also a third alternative: Learning to live on less money in retirement. For most people, that would be less than ideal. So another good piece of advice is to learn to live on a little less money now, so you won't have to live on a lot less later.

Photo: Flickr user [Kurtis Garbutt](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2017/03/saving-green/136228/>