

9 Questions (and Answers) for Federal Couples

By Tammy Flanagan

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A few weeks ago, my colleague Bob Leins and I conducted a [webinar](#) on the topic of retirement benefit issues for federal couples -- those in which one or both of the spouses are federal employees. The presentation led to lots of audience questions. This week, I thought I'd address some of them.

How do you get proof that you have been enrolled in a family plan under the federal Employees Health Benefits program from your human resources department?

This question relates to the "five-year test" of continuous retirement coverage in order to carry FEHBP into retirement. If you were covered under your spouse's self and family enrollment and are now covered under your own self only enrollment, your records may not show five years of continuous coverage. In these cases, either your spouse or your HR specialist can obtain your spouse's FEHBP enrollment form from their official personnel folder and include this with your other FEHBP documentation when your retirement case is prepared for submission to the Office of Personnel Management.

If I've been married less than five years at retirement, does my spouse need to be vested for five years or will my vesting be sufficient?

No, your spouse does not need to meet the five-year test. As long as you've been covered by FEHBP for the last five years, you may switch to self and family coverage when you get married, upon the birth or adoption of a child or during any open season period. Retirees have open seasons in the same way employees do.

I'm under the Civil Service Retirement System-Offset and my husband is under the Federal Employees Retirement System. How can we maximize our retirement dollars, specifically with regard to Social Security and survivor annuities? We're thinking about providing survivor annuities for each other, but we're not sure how to handle Social Security. If one of us dies, do we have to give up that deceased spouse's Social Security?

While you are both living, you will either receive your own Social Security retirement benefits or up to 50 percent of your spouse's -- whichever is higher. There are some circumstances under which you can delay receiving your own benefit and restrict your application to spousal benefits so your own benefit can grow due to delayed retirement credits. [Here's more information on this](#). When one spouse dies, the surviving spouse will either continue their own benefit or get up to 100 percent of the spouse's benefit, whichever is higher. [Here's more on survivors' benefits](#).

As for leaving a survivor benefit under CSRS-Offset or FERS, there are a few things to consider. Since you are both federal employees, you don't need to leave a survivor's annuity to protect continuation of health benefits (unless one of you resigns instead of retires). You presumably have other income, from the Thrift Savings Plan, your own retirement benefit, Social Security and perhaps other sources. When it comes to determining whether this is enough to live comfortably, I'd recommend seeking professional financial planning assistance from a fiduciary financial adviser.

I am married to a same-sex partner. Please address anything that may be different as a result of being a same-sex couple. (We're both federal employees).

The same benefits currently available to opposite-sex spouses of federal employees and retirees are available to same-sex

spouses. Coverage is available to a legally married same-sex spouse of a federal employee or annuitant, regardless of his or her state of residency. OPM has a posted a [guide for same-sex couples](#).

We are both feds and one of us has a disability. If one takes disability retirement under FERS, how is the other affected? Can a person with a disability be carried on a spouse's health insurance? Also, can the disabled spouse carry health benefits into retirement?

Employees who are approved for disability retirement benefits may continue FEHBP coverage in the same manner as other federal retirees. The current employee also could carry the insurance for the family, which would provide the tax advantages of premium conversion benefits. Like other federal couples, you may find it advantageous to have two self-only plans, especially if one of you might benefit from the services covered by one FEHBP plan compared to another. And the spouse with a disability may [qualify for Medicare after being disabled for two years](#).

I understand that you can postpone enrolling in Medicare and just use your FEHBP in retirement, but most plans state that if you're eligible for Medicare, they will only pay Medicare rates. So is anything really saved by not enrolling in Medicare at 65? Is FEHBP better coverage than private coverage at the same cost?

Medicare is always a confusing issue for retirees who reach age 65. You have so many choices: decline Medicare altogether and continue coverage under FEHB, enroll in Medicare Parts A and B and continue coverage under the same (or maybe a less expensive FEHBP plan), or if you're eligible for TRICARE, suspend your FEHBP coverage as a retiree and enroll in Medicare A and B along with TRICARE for Life.

I've written about Medicare many times. Here are some of my favorites:

- [FEHBP and Medicare](#) (Oct. 25, 2012)
- [The Big Health Insurance Question](#) (Feb. 28, 2014)
- [The \\$1,258 Question](#) (Nov. 13, 2014)

When my spouse inherits my TSP account, I realize the money is transferred to a beneficiary participant account (BPA). Does the money have to stay in the G Fund? My fiancé and I are both federal employees and have named each other as TSP beneficiaries. What are the options for non-spouses?

A spouse beneficiary will have a BPA established with the balance of the TSP account transferred to the G Fund. The spouse can reallocate the money among all of the TSP investment options. Here's a previous column I wrote as a [cautionary tale of BPAs](#). The TSP also has a [pamphlet available with details on these accounts](#).

Only a spouse can have a BPA. Any other beneficiary will need to withdraw the money from your TSP account. Here are TSP publications on [benefits for beneficiaries](#) and important [tax information about death benefit payments](#).

Can I apply for Social Security retirement benefits before my full retirement age and delay benefits until after I reach full retirement age?

I'm not sure why you would want to apply for Social Security and then delay receiving the benefit, unless you were filing in order for your spouse to receive benefits based on your work record. In that case, you could file and suspend receiving your benefit so that he or she could file on your account -- but this option is only available once you have reached your full retirement age.

Here's more information on [Social Security benefits for your spouse](#). I've also written a [column on Social Security and spouses](#).

What can you do with your required minimum distributions from the TSP in order to minimize taxes? Isn't it fair to assume that for most of us, once we're retired, we will make less money, so our taxes will be lower?

On this question, I defer to Bob Leins, a certified public accountant. He says:

It may be true that many people have less income in their retirement years or at least more control of their retirement income. However, remember that income tax deductions also tend to drop, because you may no longer have mortgage interest to deduct or dependent children to claim. State and local income deductions will also drop as income may be lower.

Having the ability to control the flow of income from your retirement investments can help with tax planning during the retirement years. For example, if you have your retirement savings invested in mutual funds, CDs, IRAs, the TSP, etc., you can decide when and how much you are going to withdraw from these accounts. Retirement accounts and other investments are subject to different tax rules, so tax planning in retirement can often be as important as it is during the period of pre-retirement.

Most of your retirement income will be taxable on the federal level, including most of your FERS or CSRS retirement benefit (there will be a small tax-free portion that represents the amount that you paid in during your career).

While the taxable amount of Social Security has a broad range, it may be best to assume an 85 percent taxable amount on your federal return. Many states do not tax Social Security income. Social Security has [more information on taxes](#).

The withdrawals from your TSP account will be treated as ordinary income. Since all but Roth TSP investments are saved on a tax-deferred basis, those withdrawals will be subject to income tax.

Don't forget to consider state tax if you live or work in a state with income tax. Here is [Kiplinger's State by State Tax Guide](#). The income tax structure in most states is the same as the federal one: The more you make, the more your rates increase.

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