

How to Prepare for a Retirement Storm

By Tammy Flanagan

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As you probably know by now, there are some serious threats to federal retirement benefits on the table this year in Congress. [GovExec reports](#) have been keeping you well apprised of these proposals. Here's how National Active and Retired Federal Employees Association President Richard Thissen describes the situation:

The House and Senate passed budget resolutions in March that cut billions of dollars' worth of pay and benefits from federal employees and retirees. The House budget proposed \$318 billion in "savings" by raising the cost of health insurance for all [Federal Employees Health Benefits Program] participants, eliminating federal jobs, increasing retirement contributions for current employees and, perhaps most shocking, [changing the rate of return on the Thrift Savings Plan G Fund](#). The Senate budget, while less specific in how it would cut costs, still asks the federal community for \$170 billion toward deficit reduction.

NARFE's legislative staff will earn their keep this year fighting such proposals.

Those of you who read this column regularly know that over the past 10 years I've been an eternal optimist. I've reminded readers time and again that few legislative proposals actually become the law of the land. While federal retirement benefits have been threatened over the years, in recent history the only bad things that have happened to retirees and near-retirees were the [delayed cost-of-living adjustments during the Clinton administration](#) and the pay freezes of recent years (which had an impact on high-three average salary calculations for many people).

At the same time, there actually have been several improvements to federal benefits in recent years, including changes to the Thrift Savings Plan, the ability to add [unused sick leave credit](#) toward computation of Federal Employees Retirement System benefits, and the [self-plus-one enrollment option](#) under FEHBP.

But this year, it looks like a threatening storm is on the horizon. So it pays to be prepared. In that spirit, here's my weeklong guide to getting ready for the worst. Call it Federal Employee Retirement Changes Preparedness Week.

Sunday

- Take a day to relax and realize that you have little control over these changes other than to let your elected representatives know how you feel. You can do this more effectively by joining forces with others who are in a similar situation, via such organizations as NARFE, the American Federation of Government Employees and the National Treasury Employees Union.
- Try not to overreact if something does change.
- Remember that if you work a little longer or if you save a little more, it'll go a long way toward ensuring a more financially comfortable retirement.

Monday

- Are you eligible to retire? If so, be sure to understand how your retirement benefit will be computed under current law.
- If you're not sure you understand the basics of your federal retirement benefits, I've provided many resources to help you in [previous columns](#).

Tuesday

- Have you begun to figure out if you can afford to retire? How much do you spend every month? Will there be changes to your spending once you retire?
- What do you want to do when you retire? How much will it cost?
- Once you determine your monthly income from your Civil Service Retirement System or FERS benefit and Social Security, how much more will you need?
- Do you have any other pensions, such as military retirement or a private sector pension? Add that to your total.
- Is there still a shortfall? How much did you save for retirement in the Thrift Savings Plan or other retirement savings accounts?
- According to the Schwab Center for Financial Research, if your savings are [roughly 25 times larger](#) than the amount you will need to withdraw from your retirement savings in your first year of retirement, you should be in good shape to retire.

Wednesday

- Keep in mind that insurance costs will probably go up in the future.
- In fact, many things will be more expensive as time goes on. On the plus side, your [retirement benefits are adjusted for inflation](#).

Thursday

- You will continue to pay taxes in retirement. Have you attempted to figure out how much of your federal retirement benefits are taxable?
- Here are some resources to help you understand taxes and [CSRS and FERS benefits](#) and the [Thrift Savings Plan](#). And here's an IRS [Tax Guide to U.S. Civil Service Retirement Benefits](#).

Friday

- Have you done some serious thinking about your life after retirement?
- Here's an informative article by Beth W. Orenstein: "[How to Live a Purposeful Life After Retirement](#)."
- One of my favorite authors on this topic is [Jan Cullinane](#).

Saturday

- Remember: Stay on the path you've established. Don't rush into a retirement decision based simply on proposals to change the law.
- Some changes can affect you before you retire and others won't have an impact until after you do. The biggest potential changes after retirement are modifications to retiree COLAs and health benefits. Often, employees will be grandfathered in to the old system when changes are made -- but there's no guarantee this will be the case.
- Be prepared for other developments in your life besides modifications to federal benefits. Changes to your health and marriage, for example, can also have a big impact on planning for your future after you're done working.

There might be a whole new life after you retire from federal service. Be open to the possibilities that are ahead.

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<http://www.govexec.com/pay-benefits/retirement-planning/2015/04/how-prepare-retirement-storm/110311/>