

How Your Retirement Nest Egg Adds Up

By Tammy Flanagan

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I like to think of the Thrift Savings Plan as the icing on the cake of the Federal Employees Retirement System. For many federal retirees, the TSP will play the starring role in a financially comfortable retirement.

Since 1987, federal employees have been able to use the TSP to save a portion of their salaries for their future retirement on a tax-deferred basis. (And since 2012, they can invest after-tax dollars that grow tax-free in the Roth TSP). For those under FERS, the TSP includes agency automatic and matching contributions that provide a total of 5 percent of an employee's basic pay in additional savings as long as the employee contributes 5 percent of his or her salary. The TSP was designed as one of three parts of the FERS retirement plan, along with Social Security and the basic FERS retirement benefit.

All federal employees who are serving under permanent appointments have coverage under FERS or the Civil Service Retirement System and can contribute to the TSP. More than 88 percent of FERS employees participate in the TSP, and more than 60 percent of CSRS employees do. (But they don't receive agency matching contributions.) The TSP also is available to active-duty members of the military services, and the [House recently passed legislation](#) that would overhaul the military retirement system and provide service members with the matching contributions civilian employees get.

Benefits

So if you're a FERS employee, how much can you expect out of your retirement benefits and savings? Let's start with (relatively) easy part. It's not too difficult to figure out how much your Social Security benefit will be after you retire. The Social Security Administration offers [My Social Security](#) accounts where you can:

- Keep track of your earnings and verify them every year.
- Get an estimate of your future benefits if you are still working.
- Get a letter with proof of your benefits if you currently receive them.
- Manage your benefits.
- Change your address.
- Start or change your direct deposit.

If you haven't set up your Social Security account yet, it's a good idea to do so. For one thing, this will prevent someone else from setting up an account in your name and claiming the benefit you've earned by stealing your identity. Here's more information about [identity protection and Social Security](#).

To find out how much your FERS retirement benefit will be, contact your human resources office and request an estimate. In some cases, you'll be directed to an online electronic system, such as MyPay or the Employee Benefits Information System (EBIS). Some agencies are now using a powerful tool called FHR Navigator, which links payroll and personnel information and provides employees up-to-date details on retirement benefits as well as insurance coverage.

If you know when you're eligible for retirement (and when you're likely to retire), you should be able to determine how much of your pre-retirement salary will be replaced by your basic government pension benefit.

Investments

When it comes to the TSP, it's a little more complicated to determine how much income you'll derive from your investments. You need to start by deciding what role the TSP will play in your retirement. Will you need a steady source of monthly income to supplement your FERS retirement benefit and Social Security? Do you want control over how much of your funds you take out at different times during your retirement? This flexibility will allow you to withdraw less while you are working part-time before you fully retire and take larger payments if you decide to delay taking Social Security.

The TSP has a user-friendly [retirement income calculator](#) to help you estimate how much retirement income you will receive on a monthly basis from your account.

It's possible that your government pension and Social Security will provide enough income to meet your monthly expenses. If so, you may wish to delay the use of your TSP until your later years in the event of health care expenses--or to help your children and grandchildren or a favorite charity with their financial needs. Just remember, when you delay withdrawals from the TSP, you take the risk that you might subject yourself to a severe tax penalty if you don't take the required distributions that must begin by a specific deadline after your separation from federal service.

If you would like to know more about retirement planning at any stage of your career, it helps to attend a pre-retirement or mid-career planning seminar. Many agencies offer one- to three-day classes for employees to learn about their retirement benefits. Most of these classes will also include basic information on tax, financial and estate planning.

Sometimes the seminar also will include assistance for employees looking into a second career and sessions covering life after retirement considerations. I conduct such seminars through the [National Institute of Transition Planning](#).

If you don't have access to a pre-retirement seminars at your agency, you can attend a series of retirement planning webinars. I've partnered with certified financial planner Micah Shilanski on a 12-month series of webinars called the [FERS Route to Retirement](#). It starts with a three-part course called "FERS: Three Irreversible Mistakes."

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