

Comparing Your Income Before and After Retirement

By Tammy Flanagan

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After you retire, you'll find that some of your expenses — such as the cost of commuting or maintaining a professional wardrobe — will go away. But you also might find that you increase your spending in such areas as travel and health care. That's why it's important to compare your actual income in retirement to what you are bringing home during your working years.

Last week, we looked at ways to [ballpark your retirement income](#). Now let's do a more concrete “net to net” comparison of what you can expect pre- and post-retirement.

Your gross and net income are shown on your biweekly leave and earnings statement. The net is the amount after the withholdings for such items as taxes, insurance and retirement contributions. Some withholdings, such as Thrift Savings Plan contributions, health insurance premiums and flexible spending account allotments, reduce your taxable income.

Let's look at an example involving “Shirley”:

Gross monthly salary: \$8,413.60

- FERS retirement contributions: -\$67.32
- Medicare tax: -\$115.83
- Social Security tax: -\$495.24
- Federal Employees Health Benefits: -\$265.37
- Federal Employees Group Life Insurance (Basic): -\$33.80
- Federal Employees Group Life Insurance (Option B): -\$72.93
- Federal Employees Dental Insurance: -\$136.59
- Federal Employees Vision Insurance: -\$23.86
- Federal income tax: -\$803.83
- State income tax: -\$362.53
- TSP contributions: -\$1,716.00

Net monthly income: \$4,320.30

Now, let's compute Shirley's retirement income. It will come from sources such as her FERS basic retirement benefit, Social Security benefit and income from the proceeds of her TSP funds. Here's Shirley's retirement income, taking into consideration all of her reductions and withholdings:

Monthly FERS benefit (based on 20 years of service and high-three average salary of \$101,312): \$1,857.38

- Spousal survivor annuity (maximum): -\$185.74
- Federal Employees Health Benefits: -\$265.37

- Federal Employees Group Life Insurance (Basic): -\$33.80
- Federal Employees Group Life Insurance (Bracket 5: 3 multiples of Option B): -\$291.62
- Federal Employees Dental Insurance: -\$136.59
- Federal Employees Vision Insurance: -\$23.86
- Federal Long-Term Care Insurance: -\$99.01
- Federal income tax: -\$317.00
- State income tax: -\$79.00

Social Security retirement: \$1,676.00

- Federal income tax: -\$280.00

TSP income (using payments based on life expectancy): \$2,836.88

- Federal income tax: -\$567.37
- State income tax: -\$141.85

Net monthly income: \$3,949.05

Shirley can now see she'll have less monthly income in retirement than she has while she is working full time. She may decide that's fine, if her expenses will be lower in retirement. Or she may decide to work a little longer to increase her retirement income.

After completing this fairly simple exercise for yourself, you may have a better level of confidence as you plan for a financially secure life after retirement.

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/06/comparing-your-income-and-after-retirement/129358/>