

Best Dates to Retire 2016

By Tammy Flanagan

August 27, 2015

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Are you financially ready to retire? Will all of your sources of retirement income -- federal retirement benefits, Social Security, Individual Retirement Accounts and other savings -- cover your ongoing expenses? Will you be able to make them last for the next 20 or 30 years?

Also, are you mentally ready to retire? Are you looking forward to life after retirement, rather than dreading the loss of your identity?

If the answer to the above questions is "yes," then it's time to start thinking about the best dates to retire. This week's column and the accompanying [downloadable calendar](#) will explore the best dates in 2016. (If you're ready to go even sooner than that, check out [Best Dates to Retire 2015](#).)

If you're thinking about retiring now or in the near future, you may want to consider several potential dates, so you can compare their relative benefits. For example, you might consider retiring at the end of the leave year to accumulate the maximum leave accrual for a generous lump sum annual leave payout. Or you might wonder how postponing the date another six months or even an additional year would affect your benefits.

Picking a Date

Keep in mind that the dates discussed in this column only refer to immediate, optional, voluntary retirement, which occurs when you've met the minimum age and service requirements to be eligible to retire. Employees can retire the day they become eligible or any day thereafter.

Also, remember that a retirement month is not exactly the same as a work month -- or for that matter, a calendar month. The Office of Personnel Management pays retirement benefits based on a 30-day month, so that each month of retired pay equals 30/30 of your benefit amount, whether it is January, June or even February. If you decide to retire on Monday, Feb. 29, 2016, you would receive credit for an additional day of service since, in OPM's calculations, February has 30 days just like every other month.

If you're under the Federal Employees Retirement System, whether you retire on the 1st, the 15th, or the 30th of the month, your FERS retirement will begin on the first day of the following month. The same is true for the Civil Service Retirement System (and CSRS Offset), except that there is a three-day grace period at the beginning of every month as well. (More about that later.)

If you retire before the end of a leave period, you will not accumulate your final leave accrual. There is nothing wrong with retiring in the middle of a leave period, or even in the middle of a week, but it is especially sweet when the month ends at the end of a week and at the end of a leave period. Here are next year's trifecta dates: the end of the week and the end of the month as well as the end of a leave period:

- **March 31:** End of a leave period if you work a compressed schedule/flex time

- **April 30**

- **Sept. 30:** Leave credit will be accrued even though it is a Friday, unless your normal workday is Saturday.

The End and the Middle

Whether you retire at the end of the month or in the middle can make a big difference. This is partly because for most FERS employees and some CSRS employees, one month of retired pay is worth less than two weeks of salary.

Let's look at a FERS example: Suppose Paul makes \$60,000 per year, or a biweekly salary of \$2,307 before withholdings. Let's say he has 30 years of service and is retiring at age 58. His retirement would be worth 30 percent of his high-three average salary (30 x 1 percent x high-three), or a little less than \$18,000 a year (since his high-three average is at least a little less than his final salary rate). Paul's monthly unreduced FERS benefit would only be around \$1,500 a month, or \$807 less than his biweekly paycheck. If Paul decided to retire on Sept. 17, 2016, he would be paid his salary for 12 days of September, which would total around \$2,760 gross income. He would not receive his \$1,500 FERS retirement payment until Nov. 1 (covering the month of October). The salary he would receive by working until Sept. 17 is worth more than a month of FERS retirement.

If Paul waited until Sept. 30 to retire, he would be paid his salary for 22 days of work for the month of September (or \$5,060) and he would still be entitled to his \$1,500 October FERS annuity payment. Not only that, he'd get an additional leave accrual and an additional 10 work days to contribute to Social Security and the Thrift Savings Plan. He also would have added 13 additional days of service credit to his length of service, which may add an additional month of service to his total time and unused sick leave credit.

Now let's look at a CSRS example. Suppose Judy also makes \$60,000 per year, or a biweekly salary of \$2,307 before withholdings. Let's say that, like Paul, she has 30 years of service and is going to retire at 58. Her retirement would be worth 56.25 percent of her high-three average salary, or almost \$34,000 a year, since her high-three average is at least a little less than her final salary rate. Her monthly unreduced CSRS benefit would be around \$2,800 a month, or about \$500 more than her biweekly paycheck. If Judy decided to retire on Sept. 17, 2016, she would be paid for 12 days of September, which would total around \$2,760 gross income. She would not receive her \$2,800 CSRS retirement payment until Nov. 1, but the salary she received by working until Sept. 17 is still less than one month of CSRS retirement.

On the other hand, if Judy waited until Sept. 30 to retire, she would be paid for 22 days of work, or \$5,060, and still would be entitled to her \$2,800 CSRS annuity payment. Also, she'd get an additional leave accrual, more time to contribute to the TSP and a 13 more days of service credit.

Annual Leave Considerations

It's common for federal employees to retire at or near the end of the leave year to get a full year's accumulation of annual leave that will result in a large lump sum payment.

Going back to Paul and Judy examples, let's say they both carry 240 hours of unused annual leave from 2015 into 2016. If they work through the end of the 2016 leave year (Jan. 7, 2017), they could accumulate an additional 208 hours of leave. They would receive a lump sum payment for 448 hours of unused annual leave (240 carried over from 2015 and the 208 hours accrued and not used in 2016). At their pay rate, this would amount to a gross payout of \$12,880. That kind of cash could help tide them over until they wait for OPM to finalize their retirement claims.

Given all of the above factors, here are some interesting dates to retire near the end of 2016 and the beginning of 2017:

Dec. 31, 2016

- January FERS retirement benefit paid on Feb. 1
- Salary paid through Dec. 31

Jan. 3, 2017 (CSRS and CSRS Offset only)

- Earn two more days of salary (Jan. 2 and Jan. 3)
- Entitled to 27/30 of the January retirement payment
- Add three additional days to length of creditable service that could add another month to the calculation of your retirement benefit if you were only a few days short of 30 days

Jan. 7, 2017

- Last day of the 2016 leave year for most federal employees
- Last paycheck would include seven days of salary, one of which is the Jan. 1 holiday
- Accrue last leave accrual for 2016
- First retirement benefit paid on March 1 (for the month of February)
- No compensation for Jan. 8-31 (retirement benefit doesn't start until Feb. 1)
- May be entitled to Social Security retirement benefits (if age 62 or over)
- Insurance coverage would continue without a break because of a 31-day grace period

CSRS and the Three-Day Grace Period

Under CSRS (and CSRS Offset), it's fine to retire on the last day of month, just as it is a good day for FERS. But those under CSRS have a little more flexibility, with a three-day grace period every month. If you retire on the first, second, or third day of the month, your CSRS retirement benefit will begin the next day and you will not forfeit that month's benefit. Your first retirement payment for that month would be 29/30, 28/30 or 27/30 of the first month's payment.

So, for CSRS employees, the following 2016 dates are interesting:

- **March 3**
- **April 1**
- **Sept. 2**

These dates allow the accrual of the last accumulation of annual and sick leave credit. Although the leave periods end on a Saturday, if you choose to retire on a Thursday or Friday and have completed the 80 hours of work scheduled for that leave period, you will accrue your leave.

These and other great dates to retire are highlighted on the [downloadable calendar](#).

[Click here to download the Best Dates to Retire 2016 calendar](#)

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