

## Best Dates to Retire: Taking Your Leave

By Tammy Flanagan

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Last week, I presented my annual calendar showing the [best dates to retire](#) in 2017. I noted that there are a lot of different factors to consider in settling on a date, and the best days aren't necessarily the same for all employees.

One of the most significant considerations is how much annual leave you have accrued and what you can be paid for it. Let's look at a couple of examples.

### Stockpiling Leave

Dan plans to retire on Dec. 31, 2017. He will carry over 240 hours of annual leave on Jan. 8, 2017 (the maximum he is allowed to keep in his account at the beginning of the leave year).

Throughout his final year of employment, Dan plans to save the annual leave that he earns each pay period. If he retires on Dec. 31, 2017, he will accrue 25 leave accruals. He earns 8 hours per leave period, so that will be an additional 200 hours of leave plus the 240 hours that he had at the beginning of the year.

If Dan doesn't use any annual leave during 2017, he will be paid for 440 hours of unused annual leave. If his annual pay rate is \$73,045, then his hourly pay rate is \$35 per hour. Dan's annual leave payment will be worth  $\$35 \times 440 = \$15,400$ .

This payment may be subject to federal, state, Social Security and Medicare tax withholding. The lump sum annual leave payment is not subject to withholding for insurance premiums, Thrift Savings Plan contributions, or Civil Service Retirement System or Federal Employees Retirement System deductions.

### Close Call

Debbie is planning to retire on Jan. 7, 2017. She will be paid her salary through close of business on Friday, Jan. 6. She also will be paid for all of her accumulated and accrued annual leave, even if her balance exceeds 240 hours. Debbie has 20 years of federal service and is retiring at age 62.

Her FERS retirement benefit will be computed as follows:

- $20 \times 1.1\% \times \$65,000$  (her high-three average salary) = \$14,300
- $\$14,300 / 12 = \$1,191$  per month
- Her salary is \$61,750 per year or \$29.58 per hour

Debbie will have a balance of 300 hours of annual leave on Jan. 7, 2017, for a lump sum payment of \$8,874 (subject to federal, state, Social Security and Medicare tax withholding). She will also be paid her salary through close of business Jan. 6, which includes the Jan. 2 holiday. That will be a gross salary payment of \$1,183 for her final five days of employment ( $\$29.58 \times 40$  hours).

Debbie will make an additional contribution to her TSP account of 100 percent of the \$1,183 salary (minus the required withholding for retirement and insurance). In addition, she accrued an additional eight hours of annual leave, which was worth \$236.64 ( $\$29.58 \times 8$ ).

If Debbie retired on Dec. 31, 2016, she would be eligible for the January FERS retirement benefit. But she would forfeit that benefit by waiting until Jan. 7, 2017 to retire. As long as she has 20 years of service on Dec. 31, it may be just as well to retire on Dec. 31 and enjoy an additional week of retirement.

Debbie traded a month of retirement benefits (\$1,191) for a week of salary (\$1,183) and an additional accrual of annual leave (\$236.64). She came out slightly ahead, especially since she was able to put more money in her TSP account. But it was a close call.

*Photo: Bureau of Land Management Oregon and Washington, [via Flickr](#)*

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/09/best-dates-retire-taking-your-leave/131957/>