

Top Things New Employees Need to Know About Retirement

- You have a retirement benefit. According to U.S. News & World Report, as of 2007, only 21 percent of private sector workers were offered traditional pensions. In government, all employees who complete five years of civilian service are entitled to a basic retirement benefit under the Federal Employees Retirement System. It's worth 1 percent of your high-three average salary for every year of service you complete. So if you stick around for 30 years, it will replace about a third of your preretirement income. There are age and service requirements to receive an immediate retirement benefit, but even employees who leave after only five years in government are eligible for a deferred benefit if they don't take a refund of their retirement contributions.
- Your Thrift Savings Plan account belongs to you. As you might know, the TSP is the government's version of a 401(k) plan. Every dime you contribute to your TSP account belongs to you and the amount you contribute will reduce the amount of income that you pay taxes on each year. You will receive matching contributions on the first 5 percent of salary that you contribute biweekly (dollar-for-dollar matching on the first 3 percent and 50 cents on the dollar for the rest). The matching contributions are immediately vested, meaning if you leave federal service, they go with you.
- Your agency will contribute 1 percent of your salary to the TSP for you even if you don't contribute, and this automatic contribution will be yours after three years of federal service. If you contribute to your TSP account and later on you need money to put a down payment on a house, or you want to pay off your college loans, you can borrow from the money that you've contributed. When you pay back the loan, the interest owed goes back to your account. The TSP is very important, because you'll need a substantial amount of savings to supplement your retirement benefit and Social Security. The earlier you start to save, the easier it will be to afford to retire later. The retirement savings habit should start with your first summer job in high school.
- Social Security is a tilted system. Even as it exists today (and there's no guarantee it will remain in its current form) Social Security will not replace much of your income in retirement unless you spend your career earning a low salary. For those who earn higher pay, Social Security might replace only 25 percent or less of income. Look at your latest Social Security statement (it should arrive in your mailbox about three months before your birthday every year). If you compare the monthly benefit to your current salary, what percentage does it represent? The estimate is based on the assumption you will continue to work until you're at least 62. The maximum benefit depends

on the age at which you retire. For a worker retiring at 66 in 2010, the maximum benefit amount is \$2,346 per month, or \$28,152 per year.

- You might be able to receive retirement credit for work you've already done. You might have noticed that you received credit toward leave accrual for military service and federal civilian service that you performed prior to your current job. In order to receive credit for this service toward your FERS basic retirement benefit, you have to make contributions to the retirement system to cover it. You can deposit these contributions at any time during your federal career, but the longer you wait to make the deposit, the more interest will accumulate on your unpaid balance.
- Federal insurance benefits can be yours for life. If you work long enough to be eligible for an immediate retirement benefit, you also could be eligible to maintain your government insurance benefits for the rest of your life.
- The Federal Employees Group Life Insurance Program is the largest of its kind in the world, covering more than 4 million government employees and retirees and many of their family members. Under the program, you pay two-thirds of the cost of basic life insurance and the government pays the rest. Your age does not affect the cost. For optional insurance, you pay the full cost, which depends on your age. After you are retired and over 65, you will be able to continue a portion of your basic life and standard optional insurance without paying further premiums.
- The Federal Employees Health Benefits Program is the largest employer-sponsored group health insurance program in the world, covering more than 8 million federal employees, retirees, former employees, family members and former spouses. The government contribution to your health benefits is on average 72 percent of the premium. It will continue even after you retire. Retirees and their families also can continue to receive dental, vision and long-term care insurance benefits.

I know it seems like a new employee orientation is a little early to be talking about retirement, but this is the best time to discover these benefits, so you can take full advantage of them throughout your career.

Source:

The List

By Tammy Flanagan, National Institute of Transition Planning

<<http://www.nitpinc.com/>>