

Two Careers, One Plan: Coordinating Uniformed Service and Federal Benefits

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Agenda



Annual Leave Credit
for Military Service



Military Buy-Back



Survivor Benefits



Thrift Savings Plan



Healthcare (FEHB/
FEDVIP/ TRICARE)



Federal Employee
Group Life Insurance



Benefits for Guard/
Reserve Members



Overall Planning
Considerations

Annual Leave Credit for Military Service



If you're receiving military retired pay:

- Generally only receive credit for periods of service in a combat zone
- Or if your retirement is as result of disability received in a combat zone



If you're NOT receiving military retired pay:

- Full credit for all periods of active service performed under honorable conditions



Annual Leave Calculation for Federal Employees



<3 years of Federal service = 4 hours of leave per pay period



3-<15 years = 6 hours



15 or more years = 8 hours

- ✓ Calculated when you are first hired using your DD 214
- ✓ Service Computation Date (SCD) for Leave is adjusted
- ✓ No "buy-back" required; Agency discretion allowed

Military Buy Back Overview



Receive years of credit toward your FERS pension based on eligible periods of active service

- Academy time
- All periods of active duty service documented on DD214



Years of credit count for retirement eligibility and toward pension multiplier



All VA benefits remain unchanged



Cost = 3% of total military base pay (plus interest)

- Interest begins to accrue 2 years after beginning Federal service
- Interest must be paid if deposit completed at 3 years after beginning Federal service



TRICARE eligibility remains unchanged

If you are receiving active duty retired pay, you must waive your military pension when your FERS pension begins

Military Buy Back – Decision Criteria



Total Income (20-30 Years)

Compare Military + FERS vs. Higher FERS Only



Retirement Timeline

MRA+30, Age 60+20, VERA, etc.
Consider Immediate vs. Reduced



Military Buy Back Decision



COLA Differences

Military Pension COLA (SS-linked)
vs. FERS Pension COLA (Often Lower)



Survivor Benefits

Determine if a survivor benefit
is needed



Paying for Buy Back

Lump Sum, Payroll Deductions, Pay.gov

Military Buy Back - Case Study



Steven's Scenario



E-8 retired after 22 years. Not married at retirement, no survivor benefit. Married later, missed open season. Now age 60, GS-14. Plans to retire at 62 with 14 years Federal service (no buy back).



No Buy Back (Current Path)



Military Pension: **\$2521/ mth**



FERS Pension: **\$1727/ mth**
at age 62 (1% multiplier)



Total Mil + FERS:
\$4248/ mth



Survivor Benefit for
Spouse: **\$863/mth**



Lifetime Income through
age 85: **\$1.65M**



Buy Back (Recommended Path)



FERS Pension after
Buy Back: **\$4884/ mth**
(1.1% multiplier)



Survivor Benefit for
Spouse: **\$2442**



Lifetime Income
through age 85:
\$1.84M

Military Buy Back - Case Study



Emily's Scenario



O-3 retired after 20 years. Transitioned to Federal employee role upon military retirement.

Now age 57, serving as a GS-15.

Wants to retire ASAP to care for mother, but concerned about living on military income alone.



No Buy Back



Military Pension:
\$3800/ mth



FERS Pension:
\$2850/ mth at age 62
(1% multiplier)



Total Income at age 57:
\$3800 mth



Total Income at age 62:
\$6650



Lifetime Income
through age 85: \$2.76M



Buy Back



FERS Pension at age 57:
\$5850



Special Retirement
Supplement:
\$1000/ mth



Total Income at age 57:
\$6850



Total Income age age 62:
\$5850



Lifetime Income
through age 85: \$2.56M

Which option would you choose?

Military Buy Back - How To

1. Request Estimate



Request estimate of military earnings (Form RI 20-97)

2. Complete & Submit



Complete SF 3108 and turn into supporting HR Office

3. Receive Bill & Pay



Lump Sum Payment

Payroll Deductions

Pay.gov

4. Receive "Paid in Full"



Receive "Paid in Full" letter



CRITICAL: Must occur before separating/retiring from Federal service

Survivor Benefits



Military Survivor Benefit Plan (SBP)



The military Survivor Benefit Plan is a "cheaper option" (Survivor receives up to 55% of military pension; costs 6.5%)



Must elect SBP at retirement



If not married at retirement, can elect SBP within 1 year of marriage after retirement



Open Seasons (very rare)



Buying back your military pension is an opportunity to add a survivor benefit if you otherwise can't

VS



FERS Survivor Benefit



FERS Survivor Benefit is "expensive" compared to military SBP (Survivor receives up to 50% of FERS pension; costs 10%)



May only make sense if private life insurance is cost-prohibitive/ not accessible

Thrift Savings Plan



Keep Separate Accounts



Manage accounts with separate allocations.



Beneficiary considerations.



Easier management of Combat Zone Tax Exempt (CZTE) contributions.



Merge Accounts



One account to manage – one decision for asset allocation & beneficiaries.



Possible to borrow more money earlier in Federal career.

Federal Employee Health Benefits (FEHB) and TRICARE

- Federal employees covered by TRICARE may elect an FEHB plan
 - Not required
 - TRICARE coverage enables a Federal employee to carry FEHB into retirement if otherwise qualified
- Planning **Decision**: Opt-In to FEHB the Open Season prior to retiring from Federal service; suspend coverage after retiring; FEHB can be reinstated during any future Open Season
- Planning **Decision**: TRICARE covers dependents until age 21; or age 23 if full time student; dependents can use TRICARE Young Adult until age 26
- **Highlight**: If you have both TRICARE and an FEHB plan, you must inform both plans about the other coverage for coordination of benefits.

Feature	TRICARE Young Adult Prime	TRICARE Young Adult Select	FEHB Plan
Monthly Premium	\$794	\$353	\$353
Annual Premium	\$9,528	\$4,356	\$4,236
Catastrophic Cap	\$1,324	\$1,324	\$9,600

Federal Dental and Vision Program (FEDVIP)

- Military retirees and Federal employees use the same FEDVIP
- Planning technique: Select your FEDVIP plans as a Federal employee



Federal Employee (FEDVIP)

Pre-tax Premiums (No Income/FICA Tax)

Pension Deduction

Post-tax Premiums



ASSUMING MONTHLY PREMIUMS ARE \$200/ MONTH; 22% TAX BRACKET; NO STATE INCOME TAX:

ANNUAL SAVINGS IS ABOUT \$700



Federal Employee Group Life Insurance (FEGLI)



BASE FEGLI (Automatic Enrollment)

1 x salary rounded up
to the next \$1,000

PLUS \$2,000

ADDITIONAL OPTIONS (Newly Hired)



Option A
Adds \$10k of
coverage



Option B
Adds multiples of
salary up to 5
times base salary



Option C
Adds \$5k-\$25k for
spouse; \$2.5-\$12.5k
for dependents



FLEXIBILITY

Decrease/ eliminate coverage at any time.
Increase coverage after QLE or medical exam.



RETIREMENT CONSIDERATIONS

Maintain Full/50% Coverage



May be cost prohibitive
throughout retirement

Decrease to 25%



Premiums continue until age 65,
then no further premium is due.

Base FEGLI & Option A: Full amount until 65, then decreases 2% per month to 25%.
Option B: Full amount until 65, then decreases 2% per month to 0%.

Benefits for Guard/ Reserve Members



Military Leave

- Up to 15 days credited at the beginning of each FY
- Receive regular civilian pay; credit for retirement; annual/ sick leave; etc



Reservist Differential Pay

- Additional payment to reduce/ eliminate difference between full time civilian pay and military pay
- Available when mobilized for certain types of service



Credit for retirement

- Deposit required for any active duty time documented on DD 214



FEHB

- Keep for up to 24 months (responsible for premiums)
- Suspend and switch to TRICARE; FEHB resumes upon return to Federal job



TSP

- Contributions stop; upon returning can make "Make Up" contributions
- Have a period of 3 times period of active duty; up to max of 5 years
- Govt matches as if contributions were made on time
- Does not impact your annual limit



FEGLI

- Continues up to 12 months at no cost
- Can continue an additional 12 months with premium payments

Overall Planning Considerations



Take advantage of every benefit that doesn't require a trade off

- Annual Leave Credit
- Buy Back Academy time
- Buy Back for Reserve/ Guard
- Buy Back for veterans who separated before retirement
- Sign up for FEDVIP as a Federal employee



Evaluate all other benefits in context of your financial planning priorities



What's the trade off?



Is it worth it to you and your family?

More Planning Considerations



If you have two pensions, or one larger Federal pension, don't assume your lifetime tax profile will be "typical".

Proactive tax planning may lower your lifetime tax bill and your lifetime Medicare premiums



Get familiar with all of your health benefits; understand which benefits work best for your family's needs.



FGLI and survivor benefit decisions are unique for every person; analyze - don't assume

Questions?

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