



# HOW TO MAXIMIZE YOUR BENEFITS & RETIREMENT

ASMC Indianapolis Chapter 2023

# WHO IS ABX?



- Specialize in educating & training federal employees on their benefits & retirement information
- Offer guidance & solutions to issues within your benefits structure
- Attend & present at local, regional, & national events

# WHO AM I ?

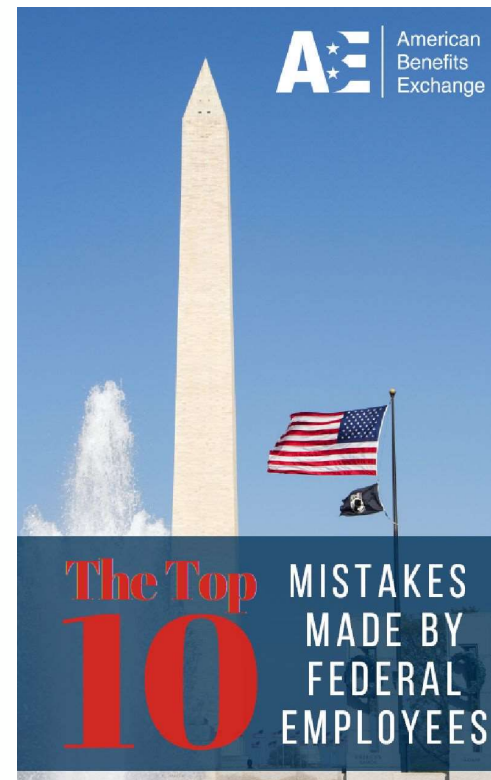
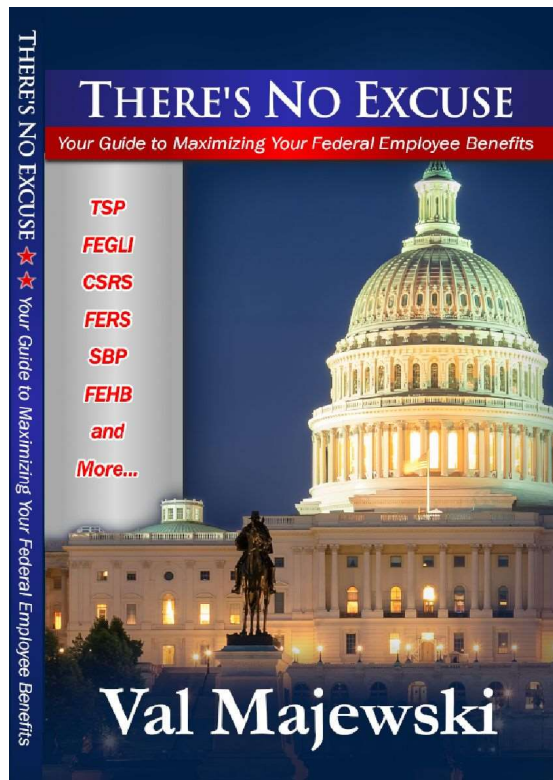
- Independent Advisor of American Benefits Exchange
- Ten years of experience advising Federal Government Employees
- Owner/operator of several franchise tax store in Chicago land
- Former Chicago Police officer and U.S Coast Guard veteran



YOU DON'T KNOW WHAT YOU DON'T KNOW



# ABX RESOURCES



# AGENDA



- FEGLI
- Federal Retirement Systems
- Thrift Savings Plan
- Debt Elimination



**FEGGLI**

# FEGLI



- BASIC – Base Rate + \$2,000
  - \$0.16 per \$1,000 per pay period
- Option A – Flat \$10,000
- Option B – May choose 1 to 5 multiples of Base Rate
- Option C – May choose 1 to 5 units



## FGLI OPTION B EXAMPLE

- Employee Age = 43
- Base Rate of Pay = \$97,875
- Option B - 5x
- TOTAL COVERAGE = \$490,000

# FEGLI EXAMPLE

| Age Group | Bi Weekly Factor | Bi Weekly Cost    | Monthly Factor | Monthly Cost      |
|-----------|------------------|-------------------|----------------|-------------------|
| Under 35  | \$0.02           |                   | \$0.043        |                   |
| 35 - 39   | \$0.02           |                   | \$0.043        |                   |
| 40 - 44   | \$0.03           | <b>\$14.70</b>    | \$0.065        | <b>\$31.85</b>    |
| 45 - 49   | \$0.06           | <b>\$29.40</b>    | \$0.130        | <b>\$63.70</b>    |
| 50 - 54   | \$0.10           | <b>\$49.00</b>    | \$0.217        | <b>\$106.33</b>   |
| 55 - 59   | \$0.18           | <b>\$88.20</b>    | \$0.390        | <b>\$191.10</b>   |
| 60 - 64   | \$0.40           | <b>\$196.00</b>   | \$0.867        | <b>\$424.83</b>   |
| 65 - 69   | \$0.48           | <b>\$235.20</b>   | \$1.040        | <b>\$509.60</b>   |
| 70 - 74   | \$0.86           | <b>\$421.40</b>   | \$1.863        | <b>\$912.87</b>   |
| 75 - 79   | \$1.80           | <b>\$882.00</b>   | \$3.900        | <b>\$1,911.00</b> |
| 80+       | \$2.88           | <b>\$1,411.20</b> | \$6.240        | <b>\$3,057.60</b> |

**Cost Over 20 Years:  
\$37,726**

**Cost Over 30 Years:  
\$111,361**

# FEGLI REVIEW

- BASIC has low costs
- EXTRA BENEFIT ceases at age 45
- OPTION A: flat fee for extra \$10,000
- OPTION B: up to 5x salary
- OPTION B gets very expensive as employee ages
- OPTION C: family coverage up to 5 units
- Options in RETIREMENT



# FEDERAL RETIREMENT SYSTEMS

# SYSTEMS



- CSRS
- CSRS Offset
- FERS
- FERS-RAE
- FERS-FRAE

# CSRS



- Employees hired prior to 1983
- NOT covered under Social Security
- Contribute 7%
- Eligible to contribute to TSP but do NOT receive matching funds

# FERS



- Employees hired after 1983
- Automatically covered under Social Security
- If hired prior to 2013, contribute 0.8%
- Eligible for 5% TSP match

# FERS - RAE



- Employees hired in 2013
- Revised Annuity Employees
- Contribute 3.1%
- Do not see a change in calculation of retirement benefits



# FERS - FRAE



- Employees hired after 2013
- Further Revised Annuity Employees
- Contribute 4.4%
- Do not see a change in calculation of retirement benefits

# ELIGIBILITY



- Age 60 with at least 20 years of service
- Age 62 with at least 5 years of service
- 30 years of service & MRA

# FERS PENSION CALCULATION

HIGH 3 = Average of the  
highest 3 consecutive  
years of base pay

Under 62 = 1%

Age 62+ & 20yrs = 1.1%

$$\begin{array}{c} \text{"HIGH 3"} \\ \times \\ 1\% \text{ or } 1.1\% \\ \times \\ \text{YEARS OF SERVICE} \end{array}$$

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**ANNUAL  
RETIREMENT  
ANNUITY**



# FERS SUPPLEMENT

## WHAT IS IT?



- Designed to help bridge the gap between retirement & when SSA begins
- Entitlement for FERS employees who retire with FULL benefits prior to age 62
- Automatic
- Continues until age 62 when SSA eligible

## WHO IS ELIGIBLE?



- FERS employees who:
  - Retire voluntarily
  - Retirement on an immediate annuity
- Employee may still be eligible if:
  - They retire involuntarily before attaining MRA due to major reorganization or RIF

## WHO IS NOT ELIGIBLE?



- FERS employees who:
  - Receive a Deferred Benefit
  - Receive a Disability Benefit
  - Receive an immediate MRA+10 Benefit

# FERS SUPPLEMENT CALCULATION

$$\begin{array}{ccccccc} \text{FERS} & & & & & & \text{AGE 62} \\ \text{Service} & & & & & & \text{SS Benefits} \\ \text{Years} & / & 40 & \times & & & \end{array}$$



# FERS SUPPLEMENT CALCULATION

FERS Service = 30 years

Age 62 SS = \$1,000

$$30 / 40 \times \$1,000 = \$750$$

## EARNINGS TEST



- Earned income limit before seeing a reduction in FERS Supplement Benefits (W2 & Business Income)
- 2023 Limit - \$21,240
- For every \$2 over the limit FERS Supplement is reduced by \$1



TSP

# WHAT IS TSP?



- Government version of 401k
- Established by Congress in the Federal Employees' Retirement System Act of 1986
- 1 of 3 Retirement Income sources
- CSRS – zero matching
- FERS – up to 5% matching
- Contributions may be allocated into 6 fund options

# TSP FUNDS



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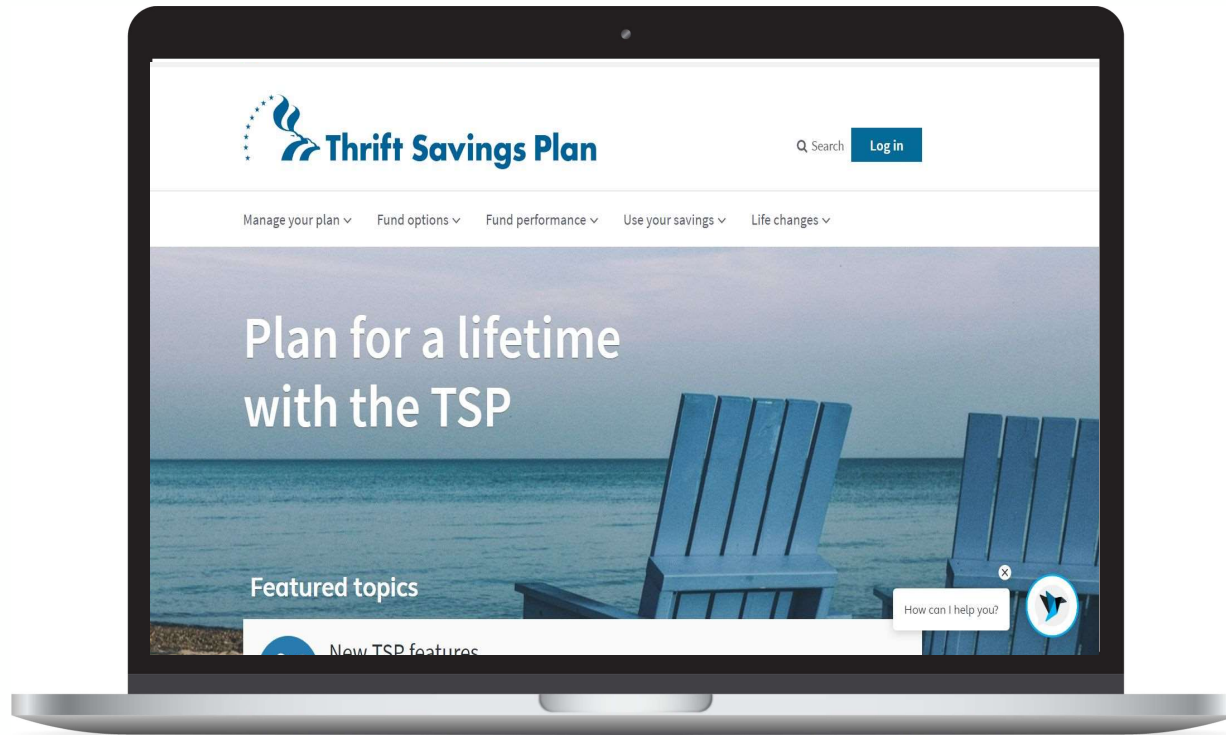
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# CONTRIBUTIONS



- Traditional: Pre-Tax
- Roth: Post-Tax
- Annual Maximum = \$22,500
- Catch-Up Contributions = \$7,500
- Agency Matching Deposited Into Trad Account

# TSP OVERVIEW



- Great for **ACCUMULATION**
  - 5% Matching
  - Investment choices depending on risk tolerance
  - Long term investment strategy
- Not so awesome when it comes to **PRESERVATION, CONSERVATION, & DISTRIBUTION**
  - Volatility is not ideal for those nearing or entering retirement



# DISTRIBUTIONS



- In-Service vs Separated / Retired
- Leave In TSP
- Take It Out
- Monthly Payments
- MetLife Annuity
- Roll It Out

# TSP ROLLOVER OVERVIEW



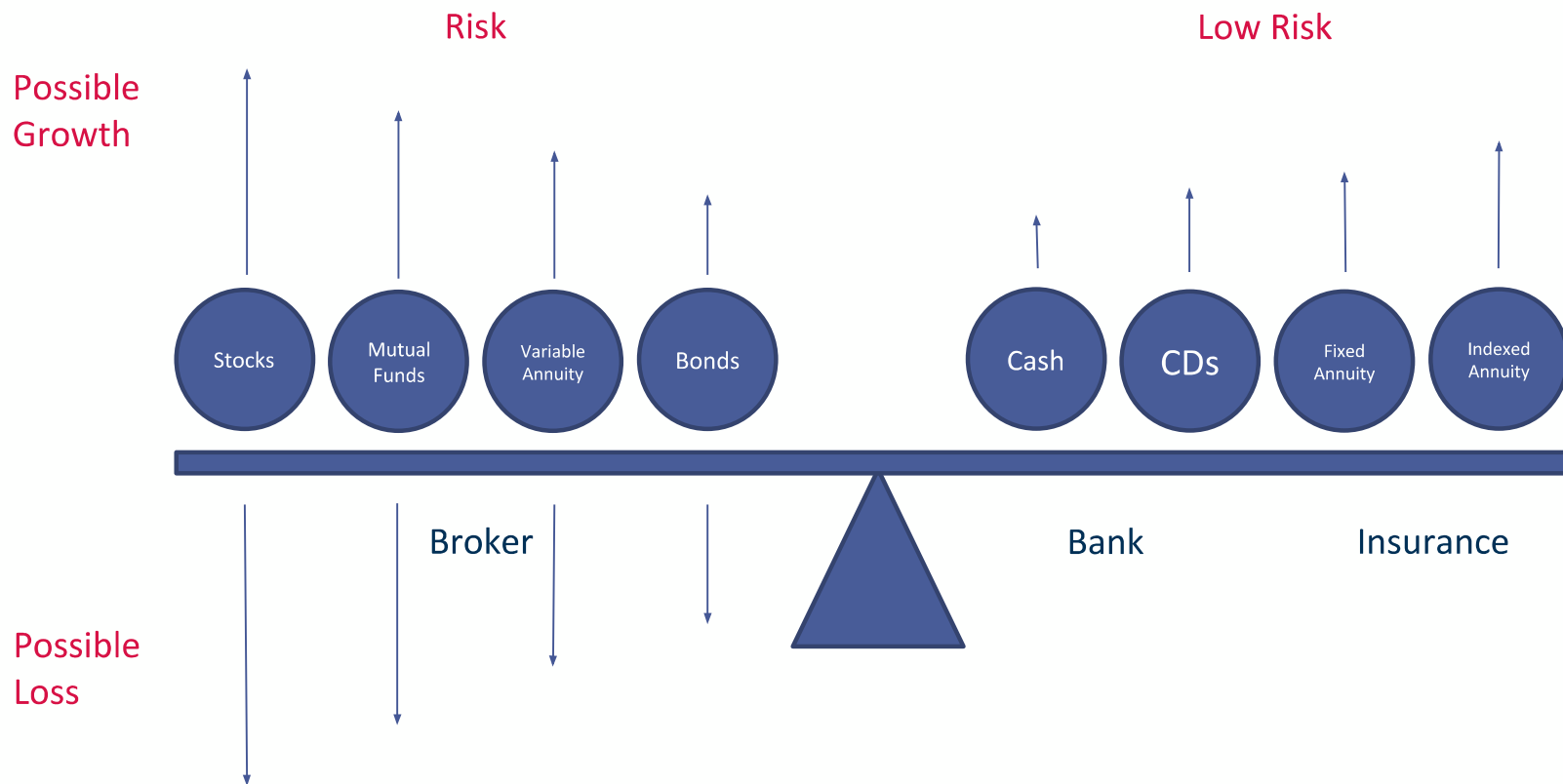
- Opportunity to separate their funds from control & management of TSP
- 59 ½ & Older
- Separated From Service
- Take Ownership

# TSP ROLLOVER OVERVIEW

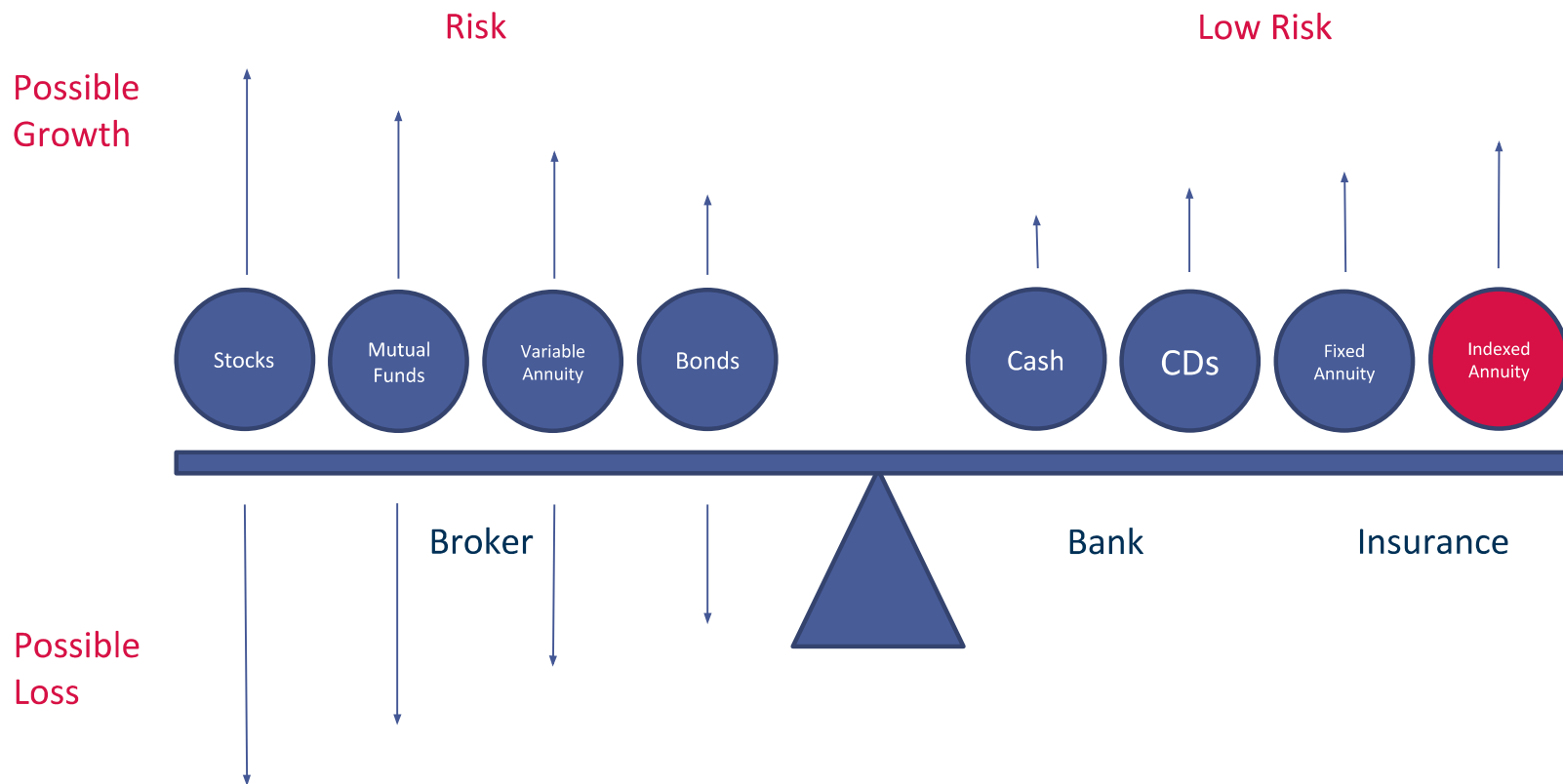


- All or a Portion and can be directed to an IRA of their choice
- When Transferring to a Qualified Account:
  - **No** Early Withdrawal Penalties
  - **No** Taxes Due
  - **No** Transfer Fees

# WHAT IS YOUR RISK TOLERANCE?

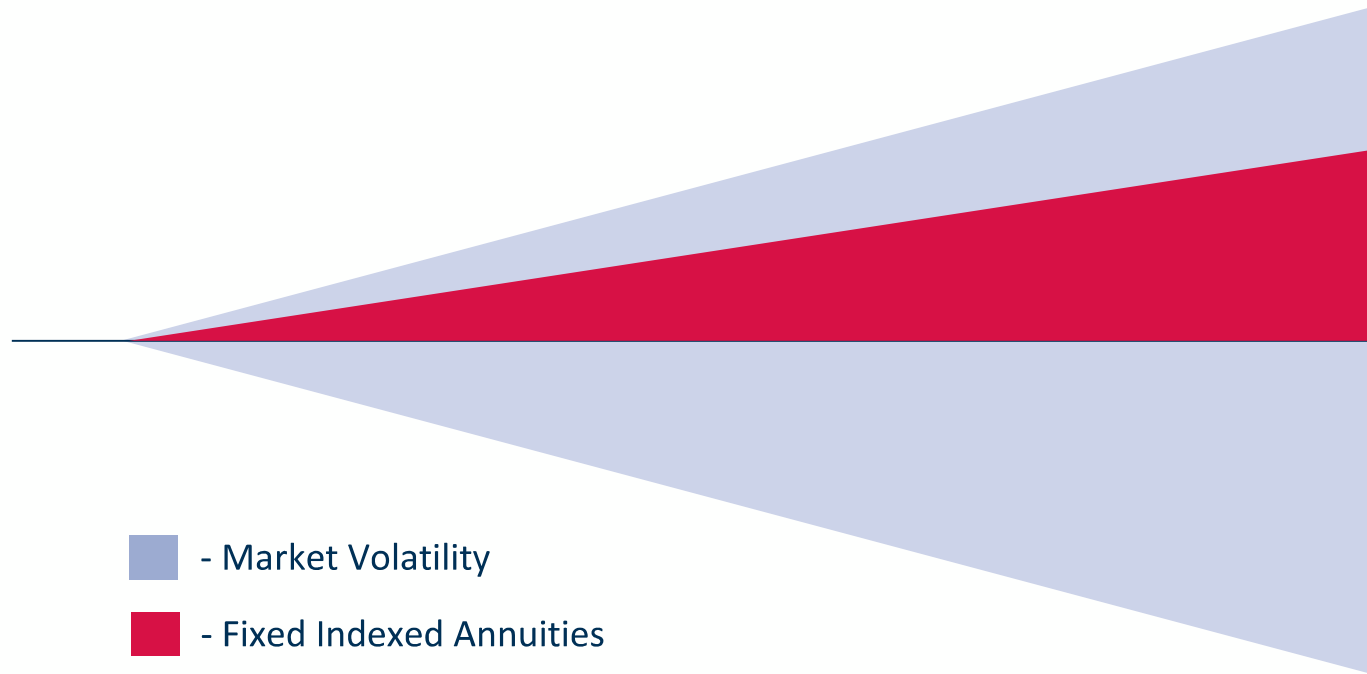


# WHAT IS YOUR RISK TOLERANCE?



# WHAT IS YOUR RISK TOLERANCE?

Possible  
Growth



Possible  
Loss

# WHAT IS IMPORTANT?



- Protection Against Risk
  - Preservation of Principle
  - Ensure Financial Security
  - Flexibility & Control
  - Accessibility
  - Income They Cannot Outlive - Creating Another Annuity Payment
  - Locking In Interest - Once They Go Up, They Cannot Go Down
- } Desire to NOT Lose Money



# RETIREMENT REVIEW



# RETIREMENT INCOME SOURCES

- FERS Retirement Annuity
- Social Security / FERS Supplement
- TSP
- Supplemental Accounts



# SUPPLEMENTAL RETIREMENT



- Do you need to save more for the future?
- How much are you looking to save each pay period or month?
- How long are you looking to save for? Time until retirement?
- What are your ultimate goals for these funds?
- What is your overall risk tolerance for these funds?
- Are you concerned about your tax liabilities in retirement?
- Have you had a full review of your household's debt recently?



# ELIMINATING DEBT

## **ELIMINATING DEBT**

**What if I could show you how to get completely out of debt, including you mortgage, in 10 years or less without spending any additional money than you are spending right now?**

# ELIMINATING DEBT



- Assistance with your benefits & preparation for retirement is all for nothing if we do not talk about eliminating your debts:
  - Eliminating Payments
  - Improve Cash Flow
  - Reduce Volume of Interest
  - Save More For Retirement

# ELIMINATING DEBT - EXAMPLE

| DEBT              | INTEREST RATE   | BALANCE          | PAYMENT        |
|-------------------|-----------------|------------------|----------------|
| Visa              | 18%             | \$3,500          | \$285          |
| Furniture         | 19%             | \$4,200          | \$212          |
| Orthodontist      | 6%              | \$3,400          | \$310          |
| Medical           | 0%              | \$925            | \$34           |
| New Appliances    | 0% (Intro Rate) | \$3,350          | \$245          |
| Master Card       | 22%             | \$5,180          | \$510          |
| Auto              | 5.99%           | \$22,000         | \$510          |
| Mortgage          | 4.5%            | \$341,000        | \$1,830        |
| <b>TOTAL DEBT</b> |                 | <b>\$383,555</b> | <b>\$3,756</b> |

- 26.7 Years In Debt
- Debt Balance = **\$383,555**
- Monthly Debt Payments = **\$3,756**

# ELIMINATING DEBT - EXAMPLE

26.7 Years In Debt

\$383,555 Debt Balance

+ \$250,980 Interest to be Paid

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\$634,535 REAL DEBT (Principal + Interest)



# ELIMINATING DEBT - EXAMPLE

## The Results:

- ✓ Free from lenders in 9.6 years
- ✓ Saved Interest \$115,613
- ✓ Freed up \$3,756 per month in cash flow
- ✓ Savings in 30 years \$1,446,320





# NEXT STEPS

## NEXT STEPS



### Get a Complimentary Personalized Benefits Review & Debt Free Roadmap:

- Email, Call, OR Click Link to Schedule Time
- Be sure to document your questions or concerns
- Expect a follow up call or email

## CONTACT INFO



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