



Federal Benefit
Plan Consultants

The Top 10

MISTAKES
MADE BY
FEDERAL
EMPLOYEES

What You Don't Know Can Cost You

As the old saying goes, "You Don't Know What You Don't Know." The same can be said when it comes to your benefits & retirement information. At Federal Benefit Plan Consultants, we find that most federal employees are very uninformed when it comes to these areas. What you do not know can cost you thousands of dollars over the course of your working career and even more in retirement.

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In this document you will find ten of the most common mistakes that we see federal employees make and how to avoid them



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#1

Never attending a federal employee benefits and retirement training

There is a misconception that a "Benefits & Retirement" training or seminar is only for those that are ready for, or are nearing, retirement. Whether it is your first day on the job as a federal employee or your last day, a well conducted benefits & retirement seminar has valuable information for you.

A full understanding of the benefits provided to you by the government as well as the supplemental options available will help you maximize your current position, save costs, and prepare more effectively for retirement. We recommend attending a training or having a personalized benefits review performed if you have not done so already. We also recommend follow up seminars in order keep up with any updates/changes to your retirement system or benefit structure.

#2

Paying way too much for their FEGLI Option B Coverage

FEGLI Option B allows you to elect one to five times your base rate of pay in additional life insurance coverage. This additional coverage comes at a cost. This cost is very cheap for younger federal employees however it begins to increase every five years beginning at age 35.

The costs see their largest increases when you will be needing this protection the most (ages 55 and 60). At some point FEGLI Option B will become so expensive that we see federal employees simply cancelling their coverage. Why pay too much over your working career for coverage that you are eventually going to cancel? At FBPC, we provide personalized FEGLI Option B comparisons to see if there are more suitable and cost effective options available for you.

#3

Not putting enough into TSP to receive the maximum matching

The government does not give you much for free. When they do it is in your best interest to take advantage of it.

The Thrift Savings Plan (TSP) will match the first 5% of a FERS employee's contributions. You put in 5% and the government will match 5%. Instantly, you have made 100% on your money. This is the best investment that you could ever make.

Take advantage of the FREE MONEY the government wants to give you. If you are a FERS employee find a way to at least contribute 5% to your TSP account.

#4

Not understanding all of the TSP distribution options

The Thrift Savings Plan is great for accumulation but may not be your best option when it comes to distribution. Do you withdraw your funds, leave them where they are, take the lifetime annuity, or transfer your balance into your own IRA? Before making any decision regarding, it is important to understand all of the options available both while you are working and when you retire.

There is not a "one size fits all" solution when it comes to choosing the appropriate TSP distribution option. Many questions need to be answered and many factors need to be considered before recommending the most suitable solution for you.

#5

Neglecting to save and plan well enough for retirement

When performing a personalized benefits and retirement analysis, we typically see federal employees taking home 50-70% of their pre-retirement income. For most this amount will not be adequate. The employee will have two options if they continue on their current path: drastically reduce their lifestyle in retirement or continue working. In order to avoid this shortfall, a supplemental retirement plan specifically designed for federal employees may be the best solution.

To see where you currently stand and how you are trending towards retirement, visit our complimentary benefits website (www.federalbenefitplanconsultants.com) to request your evaluation.

#6

Foregoing the opportunity to purchase back prior military time

If you served in the Armed Forces and did not accrue enough time to be eligible for a military pension, you can purchase that time back and have it count towards your federal retirement calculation. In order to get credit, you must make your full deposit prior to retirement.

To request your deposit amount:

- Complete Form RI 20-97
- Attach DD-214 to RI 20-97 and send to appropriate military finance center
- You will receive est. mil. earnings computation
- Complete SF-3108 and submit along with RI 20-97 and DD-214 to HR for processing
- You will be informed of deposit amount and required to choose payment method (check, money order, payroll deductions)

#7

Making the wrong Survivor Benefit selection in retirement

The Survivor's Benefit Plan (SBP) allows your spouse to continue receiving a percentage of your pension in the event you die first in retirement. To provide this benefit you will receive a reduced retirement annuity. In our opinion, this is a very poor piece of life insurance. Think about it logically. A premium is paid (reduced pension). If you die first, your spouse gets a death benefit (DB). However, unlike traditional life insurance, this DB is taxable and paid to your spouse monthly instead of in a lump sum.

Despite its flaws, the main attraction to the SBP is the fact that they attach the federal employee health benefits (FEHB) to it. If you, the federal employee, pass away first in retirement and you did not elect a SBP option then your FEHB dies with you. However, if you want to make sure your spouse can continue the FEHB if you pass away first then you need to elect at least the minimum SBP option.

It is important to note that in most cases an employee's SBP selection at retirement is an irrevocable decision. Understanding all the options available will help you make the most suitable SBP choice.

#8 Failure to have a proper and up to date estate plan

What would happen to your family or loved ones if something were to happen to you right now? What would happen if you passed away? What would happen if you became incapacitated? Having a proper estate plan will ensure that your residences, FEGLI insurance, TSP account, IRAs, and personal accounts will be taken care of properly. Who will get what and when will be set forth in the plan. Without a plan in place your state of residence will determine how this will be handled.

A proper estate plan will also address who has the power to act on your behalf, pay your bills, and handle your affairs should you become incapacitated due to illness or accident.

#9

Neglecting to properly cover/insure their spouse and/or children

The most under-served portion of your FEGLI benefit package is the coverage options available for your spouse and children. As a federal employee you have the ability to provide up to 5 times your salary in additional life insurance coverage (Option B), but \$25,000 max for your spouse and only \$12,500 max for each child (Option C). Should something happen your spouse would \$25,000 be enough? Should something happen to a child would \$12,500 be enough?

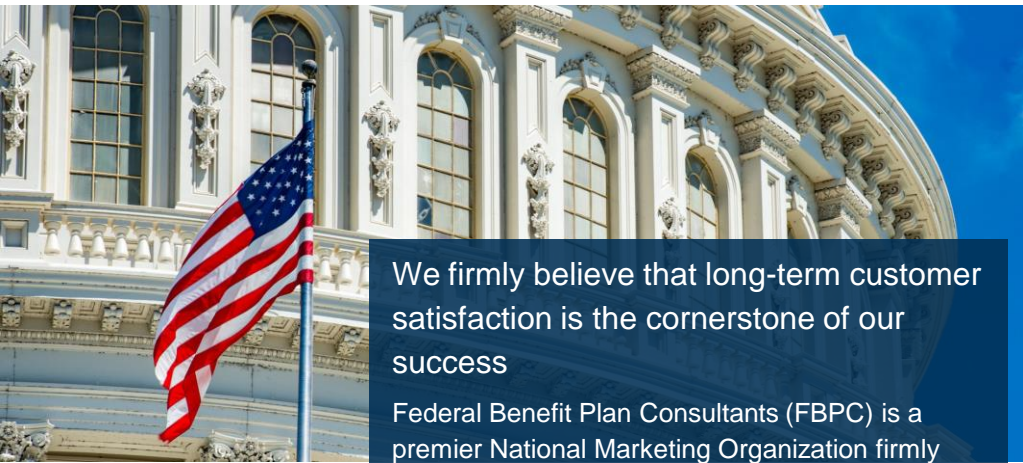
Whether you know it or not, there are options available to you. You can provide suitable coverage for your spouse and children and pay as you normally do, directly out of your paycheck. How much benefit is needed can be determined during your personal benefits & retirement review.

#10

Failure to receive a personalized benefits & retirement review

A limited understanding of your retirement system, FEGLI, TSP, Survivor's Annuity, FEHB, and Social Security could cost you thousands of dollars during your working career and even larger amounts of money during your retirement. As previously mentioned, most federal employees simply do not know what they do not know. The best way to solve this issue is to have a personalized benefits & retirement analysis performed. Allow us to dive deep into your situation and make sense of it all before it is too late.

Whether it is your first day on the job or you are retiring tomorrow, we will educate you on what you need to know and answer all of your questions. The goal is make sure you are in the best possible position both today and in retirement.



We firmly believe that long-term customer satisfaction is the cornerstone of our success

Federal Benefit Plan Consultants (FBPC) is a premier National Marketing Organization firmly established in the financial services field. FBPC leads the way in providing valuable financial products to specialized markets which include employees of federal, state, and municipal governments, members of our United States Armed Forces, and small businesses.



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