

10 Common Mistakes Federal Employees Make in Retirement Planning

AVOID THESE PITFALLS AND SECURE YOUR FINANCIAL FUTURE

1. Failing to Understand FERS Benefits

The Federal Employees Retirement System (FERS) is the foundation of your retirement plan, but many federal employees don't fully understand how it works. Your FERS pension, Social Security benefits, and Thrift Savings Plan (TSP) are interdependent. Misunderstanding these components can lead to inadequate planning.

What to Do:

- Learn how your FERS pension is calculated.
- Check your service history for accuracy.
- Estimate your total retirement income from all three sources.

2. Underestimating Healthcare Costs

Many retirees are caught off guard by healthcare expenses, even with the Federal Employees Health Benefits (FEHB) program. Premiums, deductibles, and long-term care costs can add up quickly, straining your retirement budget.

What to Do:

- Research FEHB plan options annually.
- Consider adding a long-term care insurance policy.
- Set aside funds in a health savings account (HSA) if eligible.

3. Ignoring the Importance of TSP Contributions

The TSP is one of the most powerful tools for federal employees to build retirement savings. However, many employees fail to maximize their contributions or choose the wrong investment allocation.

What to Do:

- Contribute at least enough to receive the full government match.
- Review your investment mix and adjust based on your retirement timeline.
- Take advantage of catch-up contributions if you're 50 or older.

4. Delaying Retirement Savings

Starting your retirement savings too late can significantly impact your financial future. Compounding interest works best when you save consistently over time.

What to Do:

- Begin contributing to your TSP as early as possible.
- Increase contributions when you receive pay raises or bonuses.
- Avoid taking loans or early withdrawals from your TSP.

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5. Misman- aging TSP Withdrawals

Improper withdrawal strategies can result in tax penalties, reduced income, or even depleting your savings too quickly.

What to Do:

- Develop a withdrawal plan that considers required minimum distributions (RMDs) and tax implications.
- Consult a financial advisor to optimize your withdrawal schedule.
- Avoid withdrawing large lump sums unless absolutely necessary.

6. Overlooking Survivor Benefits

Survivor benefits are a critical component of your retirement plan, yet many federal employees underestimate their importance. Choosing the wrong option could leave your loved ones financially vulnerable.

What to Do:

- Understand the cost and benefits of survivor annuity options.
- Discuss these decisions with your spouse or dependents.
- Review your elections periodically to ensure they align with your goals.

7. Neglecting Financial Risk Assessment

Inflation, market fluctuations, and unforeseen expenses can erode your retirement savings if you don't account for them in your plan.

What to Do:

- Diversify your investments within the TSP and other accounts.
- Include an inflation buffer in your retirement projections.
- Build an emergency fund for unexpected costs.

8. Failing to Update Beneficiary Designations

Outdated beneficiary forms can lead to legal complications and unintended outcomes for your estate.

What to Do:

- Regularly review and update beneficiary designations for your TSP, life insurance, and other accounts.
- Coordinate your designations with your overall estate plan.
- Consult an attorney if your situation involves complex family dynamics.

9. Not Considering Post-Retirement Employment

Many federal employees assume they won't work after retiring, only to discover they need supplemental income or miss the sense of purpose work provides.

What to Do:

- Explore part-time, consulting, or freelance opportunities that align with your skills.
- Research how additional income might affect your FERS annuity or Social Security benefits.
- Plan for potential career shifts ahead of time.

10. Skipping Professional Advice

Navigating federal retirement benefits can be overwhelming. Skipping professional guidance may lead to costly mistakes.

What to Do:

- Work with a financial advisor experienced in federal employee benefits.
- Attend retirement planning workshops or webinars tailored to federal employees.
- Use online tools and calculators to estimate your retirement readiness.



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