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- This program is for educational purposes only and no financial services or products will be presented
- You will not be asked to share your personal financial information, nor will anyone contact you after this class for the purpose of selling financial products or services
- Certain hypothetical examples will be presented today and are not intended to pertain specifically to anyone in attendance
- Ann Vanderslice is a registered representative of Cabot Lodge Securities, LLC and an Individual Advisory Representative of CL Wealth Management. Ann Vanderslice, Retirement Planning Strategies, and Cabot Lodge Securities, LLC and Cabot Lodge Wealth Management are unaffiliated entities

FedTelligence

Maximizing Your Federal FERS Benefits

Presented for:
Colorado Federal Executive Board
Denver, CO
May 11, 2015
Presenter: Ann Vanderslice

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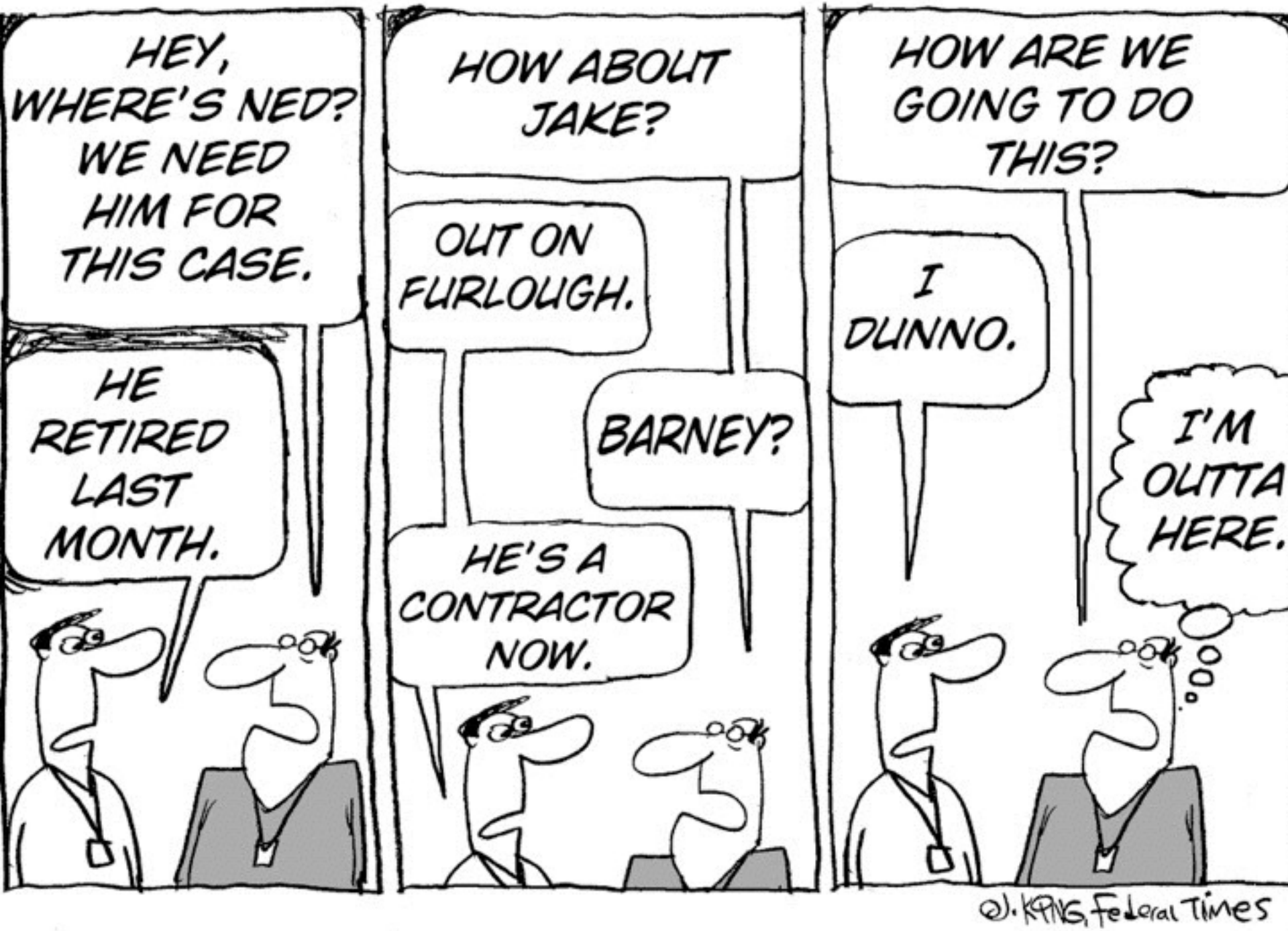
HEY, WHERE'S NED? WE NEED HIM FOR THIS CASE.
HE RETIRED LAST MONTH.
HOW ABOUT JAKE?
OUT ON FURLOUGH.
BARNEY?
HE'S A CONTRACTOR NOW.
HOW ARE WE GOING TO DO THIS?
I DUNNO.
I'M OUTTA HERE.
©J. KING, Federal Times

6 Areas Where Congress Tried To Squeeze Federal Benefits in 2015

1. Retirement Contributions - Proposed to increase retirement contributions from .8% to 6.35%.

2. FERS Supplement - The FERS Supplement would be phased out.

3. Thrift Savings Plan - The current interest rate paid on the G Fund would be reduced to approximate money market like funds.

4. Hiring Freeze - For every 3 federal employees who left or retired, only one could be replaced.

5. Civil Service Protections - Lawmakers looked to hold federal executives responsible for actions and loosen firing process.

6. Government Shutdown -Will Congress be able to agree on spending bills?

http://www.govexec.com/pay-benefits/2014/11/six-areas-where-new-congress-could-squeeze-feds/98420/

What We Will Cover Today:

Getting And Keeping Important Documents Together

What We Will Cover Today:

FERS Magic Numbers

What We Will Cover Today:

When Can You Retire?

What We Will Cover Today:

You're Eligible to Retire –
Now What?

What We Will Cover Today:

Retiring Under a VERA or VERA/VSIP

What We Will Cover Today:

How Much Will Your Pension Be?

What We Will Cover Today:

If You're Married, Should You Take Survivor Benefits?

What We Will Cover Today:

What If You Become Disabled Before Retirement?

What We Will Cover Today:

When Should You Collect Social Security?

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What We Will Cover Today:

Do You Get Raises In Retirement?

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What We Will Cover Today:

What Are Your Choices In TSP
While You're Working?

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What We Will Cover Today:

Understanding The Impact Of Your TSP In Retirement

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What We Will Cover Today:

How To Choose The Best Health Plan For You And Your Family

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What We Will Cover Today:

Maximizing The Value Of The Flexible Spending Account

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What We Will Cover Today:

Coordinating FEHB and Medicare

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What We Will Cover Today:

How FEGLI Works For You

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What We Will Cover Today:

FLTCIP 2.0 – The Longest Acronym In Federal Benefits

What We Will Cover Today:

Tax Implications While Working

Assuming you intend to retire at age 65, you should aim to accumulate savings equal to:

A. 2 times your final annual salary
B. 5 times your final annual salary
C. 10 times your final annual salary
D. 20 times your final annual salary

It doesn't matter how old you are when you begin to take your Social Security benefits. You get the same amount no matter your age.

A. True

B. False

If an individual needed long-term care today, what would be the average annual cost for a private room in a nursing home?

A. $44,000
B. $63,000
C. $72,000
D. $84,000

How much should you withdraw from your portfolio in your first year of retirement?

A. 3%
B. 4%
C. 5%
D. 6%

1. Source: Based on Monte Carlo simulations using reasonable capital market expectations.
Source: "Retirement Spending: The 4% Solution", by Rande Spiegelman, August 26, 2006, and "Build Your Retirement Portoflio to Last", Rande Spiegelman, updated May 21 2009.

How often should you rebalance your retirement portfolio?

A. Monthly
B. Quarterly
C. Annually
D. Every 2 years

http://content.schwab.com/web/retail/public/retirement/quiz/quiz.html

Important Documents

Certified Copy of Birth Certificate

DD214 – Certifies Military Service

SF-50's – Official Personnel File

Social Security Statement

Marriage Certificate (if married)

Divorce Decree (if divorced)

Receipts for any Deposits/Redeposits made

Beneficiary Forms

- Last Paycheck – SF 1152
- FEGLI – SF 2823
- Annuity (if single) - SF 3102 (FERS)
- Thrift Savings Plan – TSP 3

Most Common Reasons for Retirement Processing Delays

- Part-time service is involved.
- Service has been refunded or a deposit for service is needed.
- Receipt of workers' compensation is indicated.
- Military retirement pay is involved.
- Unpaid military deposits are present.
- Excess leave without pay (defined as more than six months) is present on the record.
- The application includes unverified or missing service.
- The employees has elected an insurable interest (a survivor benefit option available under the Federal Employees Retirement System)
- No survivor election is made. (Remember- even if you are unmarried at the time or retirement, don't leave this section of the retirement application blank.)
- A court order for a divorce requires apportionment of the annuity.
- The submission by the agency is incomplete and is missing key data needed for calculating interim payments. According to OPM, 23 percent of all claims received are missing one or more records and 11 percent are not received during the first 30 days.

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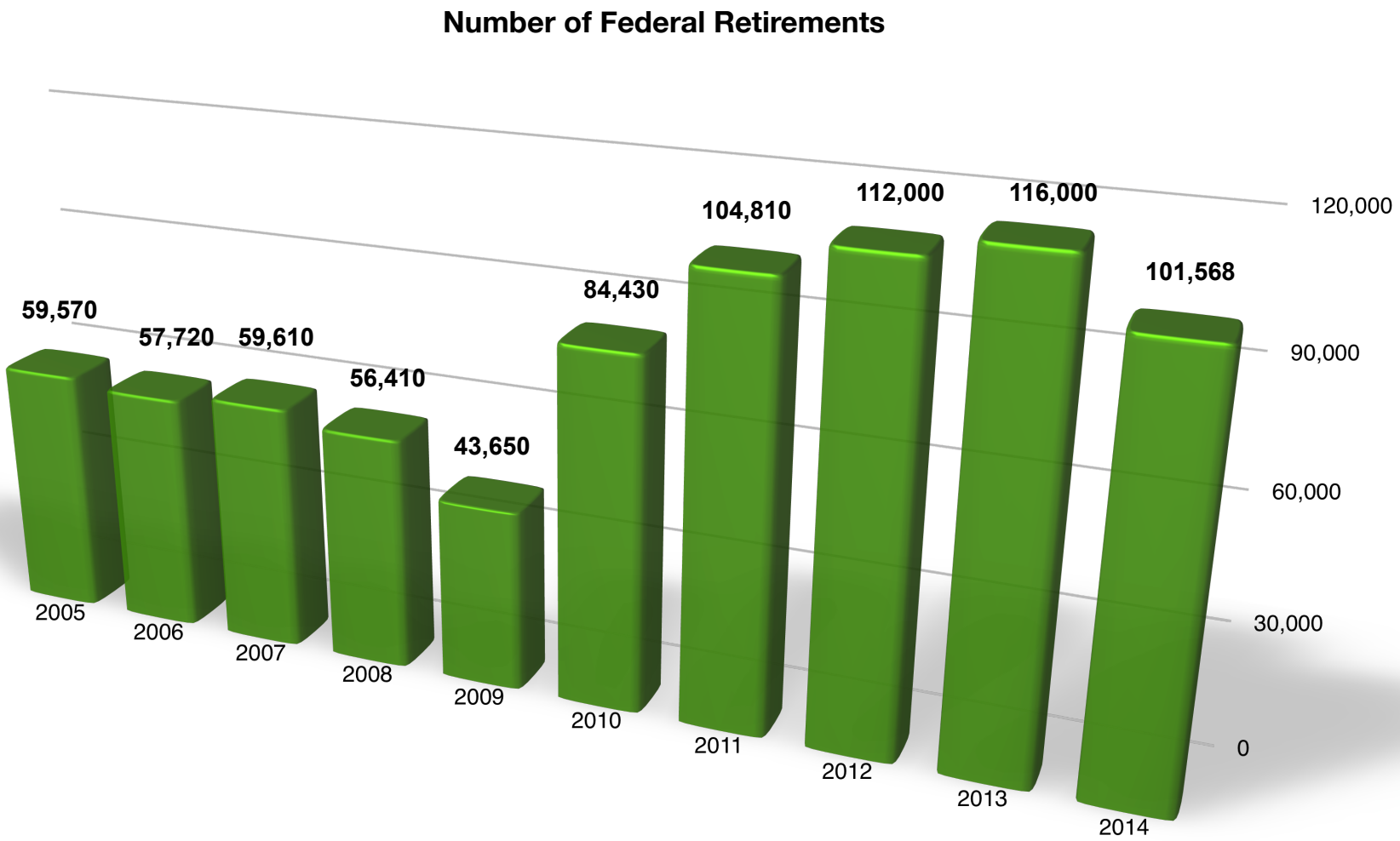

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Magic Numbers

Ages

35 = Free FEGLI begins to reduce from double benefit

45 = Free FEGLI double benefit ends

55 = Earliest age to retire on unreduced annuity
FEGLI premiums for Options A and B increase significantly
Access to TSP without 10% excise penalty if you separate or retire

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Magic Numbers

Ages

59½ = Access to TSP Funds for one-time withdrawal if still working
Penalty-free access to IRA's, 401(k)'s, etc.

62 = Earliest eligibility for Social Security benefits

65 = Eligible for Medicare

70 = Latest eligibility for Social Security benefits

70½ = Must begin taking at least minimum withdrawals from tax-qualified accounts (TSP, IRA's)

Magic Numbers

Years of Service

30 years – needed to qualify for unreduced annuity if younger than age 60

5 years – least amount of years you can work and qualify for an annuity

Magic Numbers

Savings Amount Needed At Retirement

$1,000,000

Rule of Thumb – 10%

Amount you need to save each year to have a comfortable supplement to your federal pension at retirement

Ending account balances at age 65

Assumptions:
25-year old with $35,000 salary
3% annual increase in salary
40-Year Investment Period

Average annual portfolio return	Total annual savings rate (% of salary + employer contribution)				
	2%	4%	6%	8%	10%
6%	176,002	352,005	528,007	704,010	880,012
8%	281,436	562,872	844,309	1,125,745	1,407,181
10%	464,253	928,506	1,392,758	1,857,011	2,321,264
12%	784,445	1,568,890	2,353,334	3,137,779	3,922,224

Save Early - Save Often

- In this study Investor (B) opens an IRA at age 19. For seven consecutive periods, he puts $2,000 in his IRA at an average growth rate of 10% (7% interest plus growth). After seven years, he makes NO MORE contributions -- he's finished.

A second Investor (A) makes no contributions until age 26 (this is the age when Investor B is finished with his contributions). Then A continues faithfully to contribute $2,000 every year until he's 65 (at the same theoretical 10% rate).

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Age	Investor A Contribution	Year-end Value	Investor B Contribution	Year-end Value
43	$2,000	$100,318	-0-	$154,456
44	$2,000	$112,550	-0-	$169,902
45	$2,000	$126,005	-0-	$186,892
46	$2,000	$140,805	-0-	$205,581
47	$2,000	$157,086	-0-	$226,140
48	$2,000	$174,995	-0-	$248,754
49	$2,000	$194,694	-0-	$273,629
50	$2,000	$216,364	-0-	$300,992
51	$2,000	$240,200	-0-	$331,091
52	$2,000	$266,420	-0-	$364,200
53	$2,000	$295,262	-0-	$400,620
54	$2,000	$326,988	-0-	$440,682
55	$2,000	$361,887	-0-	$484,750
56	$2,000	$400,276	-0-	$533,225
57	$2,000	$442,504	-0-	$586,548
58	$2,000	$488,953	-0-	$645,203
59	$2,000	$540,049	-0-	$709,723
60	$2,000	$596,254	-0-	$780,695
61	$2,000	$658,079	-0-	$858,765
62	$2,000	$726,087	-0-	$709,723
63	$2,000	$800,896	-0-	$780,695
64	$2,000	$883,185	-0-	$858,765
65	$2,000	$973,704	-0-	$944,641
Less Equals Money	Total Invested Net Earnings Grew	(80,000) $893,704 11-fold		(14,000) $930,641 66-fold

Save Early - Save Often

The incredible results show Investor B, who made his contributions earlier and who made only seven contributions, ends up with MORE earnings than A, who made 40 contributions but at a LATER TIME. The difference in the two is that *B had seven more early years of compounding than A*.

Study courtesy of: Market Logic, of Ft. Lauderdale, FL 33306

FERS and FERS Transferee

FERS

Employees hired after to 1/1/84 who did not have at least 5 years of service at 1/1/87

Contribute 7% of pay to:

6.2% to Social Security

.8% to FERS

FERS - RAE

FERS

Employees hired after 1/1/13 who did not have at least 5 years of service when hired

Contribute 9.3% of pay to:

- 6.2% to Social Security
- 3.1% to FERS

FERS - FRAE

FERS

Employees hired after 1/1/14 who did not have at least 5 years of service when hired

Contribute 10.6% of pay to:

6.2% to Social Security

4.4% to FERS

FERS and FERS Transferees

FERS Transferee –

Employees hired before 1/1/84
Employees with at least 5 years of CSRS employment who opted to go to FERS in 1987, 1988, or 1998

Rehired with at least 5 years of service under CSRS or CSRS Offset and chose to go to FERS
Social Security benefits may be reduced for portion of annuity based on CSRS years

FERS - Retiring On an Immediate, Unreduced Annuity

Age	Years of Service
MRA*	30
60	20
62	5

Voluntary Early Out With Reduction -

Age	Years of Service
MRA	at least 10 years

If you retire at the MRA with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12ths of 1% for each month you are under age 62 (5% for each year) unless you have 20 years of service and your annuity begins at age 60 or later.

Involuntary Early Out Without Reduction - VERA

Age	Years of Service
50	20
Any age	25

MRA = Minimum Retirement Age

FERS - Minimum Retirement Age

If you were born:	Your FERS MRA is:
before 1948	55
in 1948	55 and 2 months
in 1949	55 and 4 months
in 1950	55 and 6 months
in 1951	55 and 8 months
in 1952	55 and 10 months
in 1953 – 1964	56
in 1965	56 and 2 months
in 1966	56 and 4 months
in 1967	56 and 6 months
in 1968	56 and 8 months
in 1969	56 and 10 months
1970 or after	57

Deferred Retirement

IF you do not want to take the penalty associated with a Voluntary Early Out – you may defer your retirement to age 62 and then take the unreduced amount.

IF you have at least 20 years of creditable service, you may defer your retirement to age 60 and take the unreduced amount.

IF you have at least 30 years of creditable service but do not have MRA, you may defer your retirement until you reach MRA and receive an unreduced benefit.

You must "suspend" your health benefits if you defer in order to pick them back up when you begin receiving retirement benefits.

I'VE BEEN FACING SOME TOUGH CHOICES LATELY.
LIKE HOW TO CUT YOUR BUDGET AND PRIORITIZE AGENCY GOALS?
NO. PICKING MY RETIREMENT DATE.
©. KONG, FEDERAL TIMES

Best Dates to Retire

- The last day of the month
- End of a pay period

  - Accrue sick and annual leave for that pay period
- Last day of the year

  - Rollover maximum annual leave

  - Receive COLA on payout of annual leave

  - Pay taxes in new year

Best Dates to Retire –2015 FERS

December 31, 2015 – Best of the Best

~~January 31~~
~~February 28~~
~~March 31~~
~~April 30~~
May 31
June 30
July 31
August 31
September 30
October 31
November 30

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Components to Calculate Federal Annuity

Years of Service Based on **Retirement** Service Computation Date

% Formula Based on Years of Service

High 3 Average Salary

Retirement Service Computation Date

Based on time between appointment and separation where deductions are withheld. It includes:

- Leave without pay (up to six months/calendar year)
- Part-time service
  - Full credit for eligibility – prorated for annuity computation
- Intermittent days worked (WAE 260-day year)
- Military service/Deposits/Re-deposits (SF 2803)

© Can Stock Photo - csp6976154

FERS - Buying Back Military Time To Add To Your Creditable Service

Employee Must Waive Active Military Retirement Pay

Make Deposit of 3% of Basic Pay + Interest = Credit for eligibility and annuity

Do Not Make Deposit = No credit for eligibility or annuity

Deposits

Prior to 1-1-1989:

Deposit Made = 100% for eligibility and annuity computation

Deposit Not Made = NO credit for eligibility or annuity computation

After 1-1-1989:

NO credit = Deposit is not allowed

Re-deposits

Contributions Not Refunded:

100% for eligibility and annuity computation

Contributions Refunded:

Re-deposit CAN be made to get 100% for eligibility and annuity computation

No re-deposit = time does not count

Part-time Service

Any part-time service counts 100% toward eligibility and is prorated for annuity calculation

Annual Leave

Employee Type	***Less than 3 years of service****	***3 years but less than 15 years of service****	***15 or more years of service****
Full-time employees	½ day (4 hours) for each pay period	3/4 day (6 hours) for each pay period, except 1¼ day (10 hours) in last pay period	1 day (8 hours) for each pay period
Part-time employees**	1 hour of annual leave for each 20 hours in a pay status	1 hour of annual leave for each 13 hours in a pay status	1 hour of annual leave for each 10 hours in a pay status

- Can carryover up to 240 hours of unused leave per year
- Paid out as lump sum for any unused hours at retirement

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Sick Leave

Accrue 4 hour per pay period for sick leave.

FERS can include 100% of their sick leave in their creditable service for annuity calculation purposes.

Sick Leave Chart

1,194 Hours

# of Days	0 Months +	1 Months +	2 Months +	3 Months +	4 Months +	5 Months +	6 Months +	7 Months +	8 Months +	9 Months +	10 Months +	11 Months +
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	41	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1131	1304	1478	1652	1826	2000
16	93	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	99	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	145	319	493	667	841	1015	1189	1362	1536	1710	1884	2058
26	151	325	499	672	846	1020	1194	1368	1542	1716	1890	2064
27	157	330	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

Creditable Service Calculation

	Year	Month	Day
Planned Retirement Date	2015	12	31
Retirement SCD	1985	7	27
Creditable Service	30	5	4
Unused Sick Leave		6	26
Total Creditable Service	31		

0 Days Left Over!

Sick Leave Chart

1,194 Hours

# of Days	0 Months +	1 Months +	2 Months +	3 Months +	4 Months +	5 Months +	6 Months +	7 Months +	8 Months +	9 Months +	10 Months +	11 Months +
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
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8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
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28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

Calculating Your FERS Annuity

1% X Years of Service X High 3 Average = Annual Annuity

At age 62+ with at least 20 years of service =

1.1% X Years of Service X High 3 Average = Annual Annuity

Example: 30 years = 30% (1% for each year or portion thereof)

If retiree is 62+ with at least 20 YOS = 33% (1.1% for each year or portion thereof)

High 3 Average

Average of your base + locality pay over any 3 consecutive years of creditable service

Does NOT include:

Bonuses
Overtime
Military Pay
Cash Awards
Holiday Pay
Travel Pay

High-3 Calculation

Year	Salary
2013	79,219
2014	80,011
2015	80,811
2016	
2017	

Add last three years together
and divide by 3
$80,013

Annuity Calculation

High-3 Average $80,013

Creditable Service % .45

= Annual Annuity $36,006

/ 12 = Monthly Annuity $3,000

Future Value = $956,699
360 Time Periods - 30 years
2.24% COLA

Present Value - $488,695

FERS - Survivor Benefits

Provides 25% or 50% of annuity at a cost of 5% or 10%

Available to:

- Current spouse
- Former spouse
- Insurable interest
- Minor children

MUST keep at least minimal survivor benefit to allow spouse to continue health benefits if employee passes away

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FERS - Survivor Benefits

What happens if you die before you have a chance to retire?

With at least 18 months of creditable service – survivor receives:

* Lump sum benefit of $32,326 (adjusted annually for inflation) PLUS
* Half of the greater of your average high-3 or your current salary

Additionally, with at least 10 years of creditable service:

* 50% of your annuity calculated as of the date of your death

Social Security and other survivor benefits are not affected by the lump sum payments.

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Disability Retirement

No longer able to perform in your position and not qualified for any other position in same location at same grade/pay

May earn up to 80% of fed pay in private sector job

Health and life insurance continue if previously insured for 5 years

Must have at least 18 months creditable service to apply

Employee (or agency, guardian, or interested person if incapacitated) must apply for benefits

Must apply for Social Security disability benefits

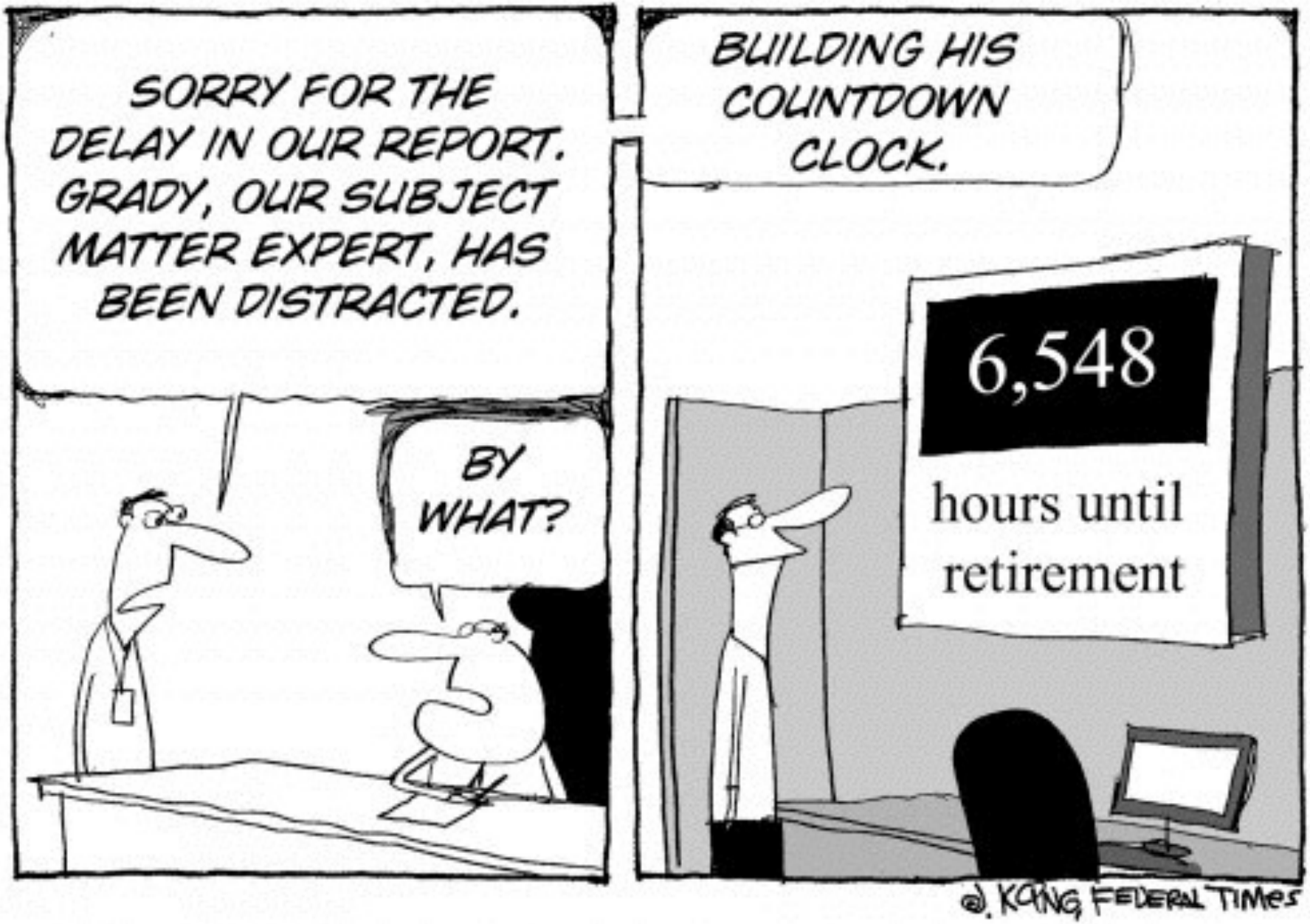
Disability Retirement

Benefits are calculated as follows:

1st Year – 60% of High-3 average salary less any benefits received from Social Security

2nd Year – 40% of High-3 average less 60% of any benefits received from Social Security

Benefit recomputed at age 62 with credit for years between disability retirement and age 62


SORRY FOR THE DELAY IN OUR REPORT. GRADY, OUR SUBJECT MATTER EXPERT, HAS BEEN DISTRACTED.
BY WHAT?
BUILDING HIS COUNTDOWN CLOCK.
6,548
hours until retirement
©. KOING FEDERAL TIMES

Phased-in Retirement Background

- Federal workforce is aging - average age is 47
- ~25% of current workforce is eligible to retire
- Within just a few years 40% will be eligible to retire
- In 2012, Congress passed law to allow phased-in retirement
- OPM issued rules putting into effect for November 6, 2014.

How It Works

- Participation is voluntary from both sides
- Employees eligible to retire can apply for phased-in retirement and if agency agrees - they may participate
- Employee must have worked full-time for 3 years prior to applying
- Employee works part-time and receives proportionate parts of their salary and pension
- Currently designed to be 20-hour week

Eligibility

- Under CSRS/CSRS Offset must be 55 with 30 YOS or 60 with 20 YOS
- Under FERS must have MRA with 30 YOS or 60 with 20 YOS (excludes 62 with 5 YOS)
- Cannot be part of VERA, disability, discontinued service or deferred retirement
- LEO, Firefighters, ATC are excluded

Work

As a matter of policy, at least for an initial period-how long is undefined-the only allowable split will be half-time work.

The employee will receive half of the full-time rate of the position (and half of the annuity earned up to the start of phased retirement, as described below). The salary portion increases with any applicable pay raises.

The law also presumes that phased retirees will spend at least a fifth of their working time mentoring co-workers. Exceptions to that policy are allowed but are to be rare.

Effect on Benefits

Phased-in Retirees are:

Subject to civil service retirement deductions, Social Security payroll taxes and Medicare payroll taxes on the same terms as they were as full-time employees;

Considered to be active employees, not retirees, for purposes of Thrift Savings Plan investment, loan and withdrawal policies; and

Allowed to continue to invest through the voluntary contributions program available under CSRS.

Allowed to keep the same standard insurance coverage

Phased-In Retirement Annuity

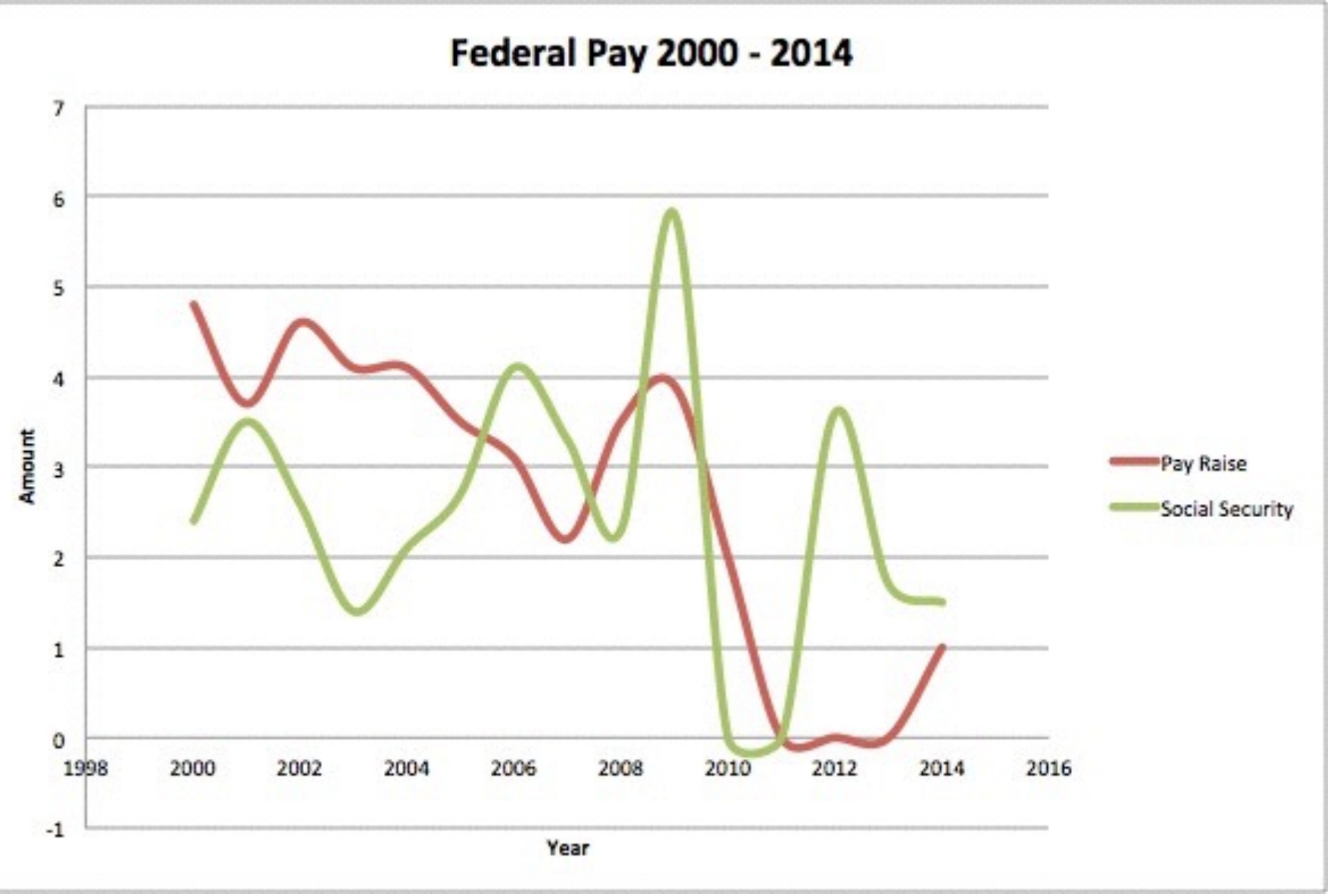
At retirement pension benefits are calculated as if fully retired except unused sick leave is NOT credited.

Half this amount is payable during phased-in retirement.

No survivor benefits are computed on the pension. Any death would be considered a death in service.

The annuity portion is adjusted annually for any COLA awarded to retirees.

Employee may retire at any time. Full annuity will be re-calculated to include sick leave and additional time of service. Survivor benefits may be elected at this time.


Federal Pay 2000 - 2014
7
6
5
4
3
2
1
0
-1
Amount
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Year
Pay Raise
Social Security

Cost of Living Adjustments

Prior to retirement based on amount approved in legislation by Congress each year. After retirement:

% Increase of CPI as follows:

0%-2%	Actual CPI % Increase
2%-3%	2%
Over 3%	CPI increase less 1%

Effective December 1/appears on January 1 annuity payment

Prorated if you retire in middle of year

Do NOT receive COLA until age 62

2009 COLA = 4.8% 2010 COLA = 0% 2011 COLA = 0% 2012 COLA = 2.6%

2013 COLA = 1.7% 2014 COLA = 1.5% 2015 COLA = 1.7%

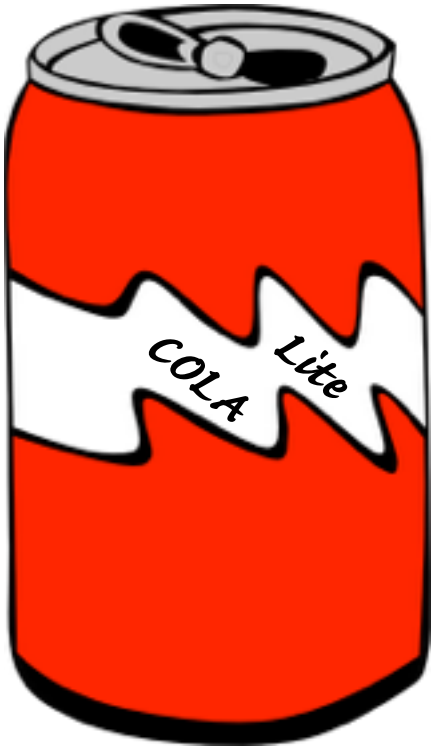
What impact would chained COLA have on your retirement income?

http://www.narfe.org/legislation/calculator.cfm

On $50,000 pension over 5 years you would lose $2,426

On $50,000 pension over 10 years you would lose $9,788

On $50,000 pension over 15 years you would lose $23,518



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FERS Supplement and Social Security

3 Components of FERS Retirement

- FERS annuity
- Social Security
- TSP

Because Social Security is not available until age 62 a Supplement is available for those who retire at their MRA with 30 years or age 60 with 20 years of service

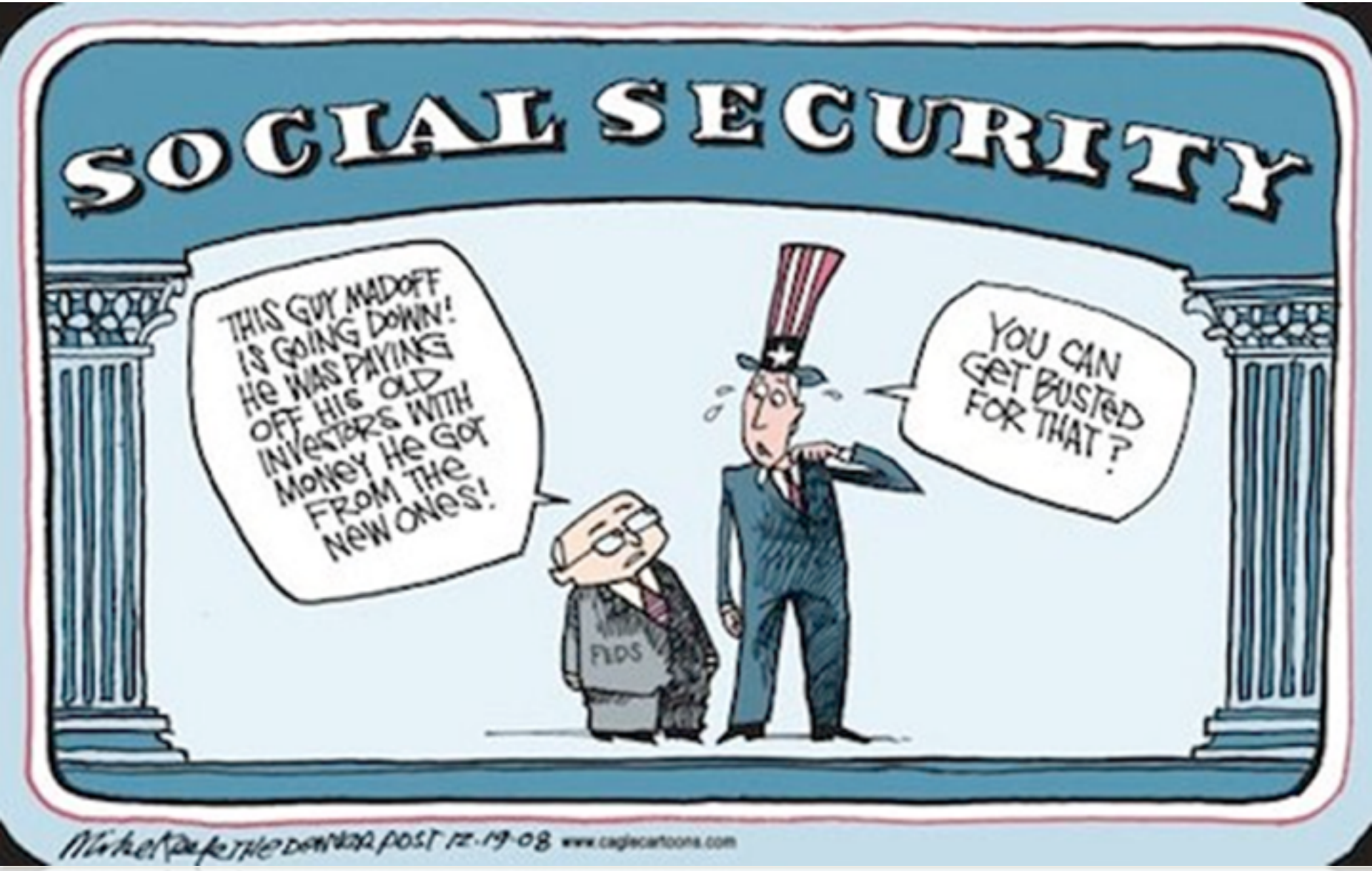
FERS Supplement and Social Security

Supplement is calculated based on:

Years of FERS Service*		Social Security Benefit
40	X	at age 62

Subject to Social Security earnings test for wages - $15,720

* Military buy-back time will be deducted from equation


SOCIAL SECURITY
THIS GUY MADOFF IS GOING DOWN! HE WAS PAYING OFF HIS OLD INVESTORS WITH MONEY HE GOT FROM THE NEW ONES!
YOU CAN GET BUSTED FOR THAT?
FEDS
Michael Ramirez The Daily Post 12-19-08 www.caglecartoons.com

Social Security Benefits

Become eligible by earning 40 “credits”

Receive full benefits based on year you were born

Birth Year	Full Benefits	Birth Year	Full Benefits
1937	65	1943-1954	66
1938	65 + 2 mos	1955	66 + 2 mos
1939	65 + 4 mos	1956	66 + 4 mos
1940	65 + 6 mos	1957	66 + 6 mos
1941	65 + 8 mos	1958	66 + 8 mos
1942	65 + 10 mos	1959	66 + 10 mos
		1960 +	67

Full Retirement and Age 62 Benefit By Year Of Birth

Year of Birth [1]	Full (normal) Retirement Age	Months between age 62 and full retirement age [2]	At Age 62 [3]			
			A $1000 retirement benefit would be reduced to	The retirement benefit is reduced by [4]	A $500 spouse's benefit would be reduced to	The spouse's benefit is reduced by [5]
1937 or earlier	65	36	$800	20.00%	$375	25.00%
1938	65 and 2 months	38	$791	20.83%	$370	25.83%
1939	65 and 4 months	40	$783	21.67%	$366	26.67%
1940	65 and 6 months	42	$775	22.50%	$362	27.50%
1941	65 and 8 months	44	$766	23.33%	$358	28.33%
1942	65 and 10 months	46	$758	24.17%	$354	29.17%
1943-1954	66	48	$750	25.00%	$350	30.00%
1955	66 and 2 months	50	$741	25.83%	$345	30.83%
1956	66 and 4 months	52	$733	26.67%	$341	31.67%
1957	66 and 6 months	54	$725	27.50%	$337	32.50%
1958	66 and 8 months	56	$716	28.33%	$333	33.33%
1959	66 and 10 months	58	$708	29.17%	$329	34.17%
1960 and later	67	60	$700	30.00%	$325	35.00%

Social Security Benefits

Other members of your family may receive benefits based on your work history:

Spouse: 50% of yours or 100% of their own (whichever is higher)

Child (up to age 18): 50%

Former spouse:

- Married at least 10 years
- Age 62

Longevity

This is KEY!

According to the **2000 Basic Mortality Table**, a 65-year old couple has a 50% chance that at least one of them will live to age 92.

Single individuals have a slightly lower life expectancy

SOURCE: http://www.newyorklife.com/learn-and-plan/live-longer-than-expected

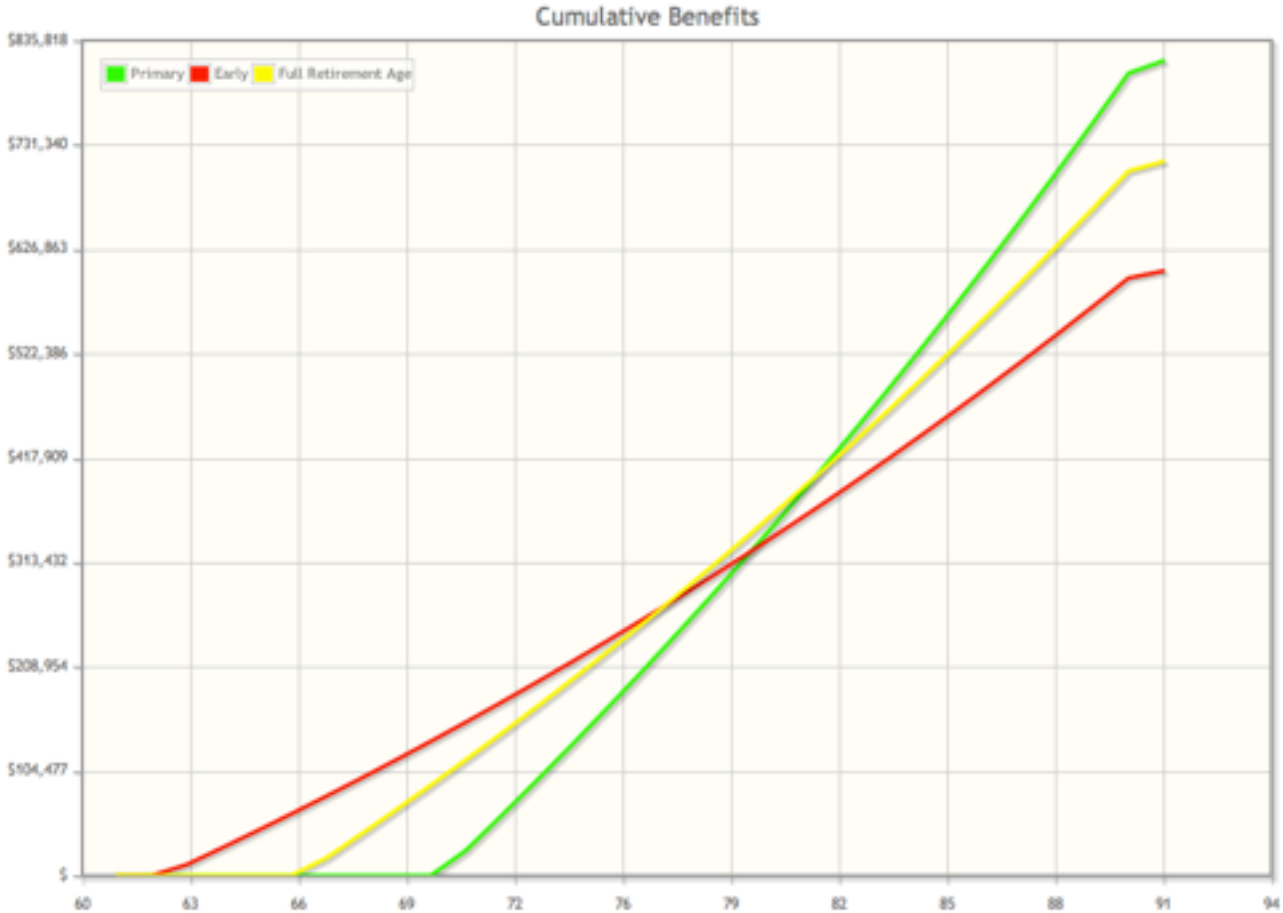
Impact of Longevity (Cumulative) on Total Distribution Amount

- **Living to age 75:**
  - Start at 62: $137,423 ---------- **$36,984 Higher**
  - Start at 70: $100,439
- **Living to age 85:**
  - Start at 62: $269,953
  - Start at 70: $333,697 ---------- **$63,744 Higher**
- **Living to age 95:**
  - Start at 62: $431,456
  - Start at 70: $617,941 ---------- **$186,485 Higher**

Note: assumes a 2% inflationary factor.

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return of future performance. Information is not intended to provide specific legal or tax advice. You are encouraged to consult with the Social Security Administration or your tax or legal professional for guidance on your individual situation.

Comparing Options…



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Optimizing Your Benefits

Case Study #1

- Mary is 60 years old, never married (or divorced, married for less than 10 years)
- FRA benefits: $1,800 / month
- Originally assumed she should start taking benefits at age 62
- How can she potentially optimize her Social Security benefits?

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

Results

Assuming a life expectancy of 90 on Mary:

- Beginning benefits at age 62:
  - Cumulative benefits: **$605,029**
- Beginning benefits at age 70:
  - Cumulative benefits: **$815,432**

A potential difference of $210,403 over her lifetime!!!

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

Social Security Benefits

Your survivors may also be eligible to receive benefits on your work history:

Spouse you've been married to for at least 9 months who is age 60 or older

Child under age 18 (19 if still in school) or any age if disabled before age 18

Former spouse you were married to for at least 10 years

Part 2 – Optimizing Your Benefits

Case Study #2

- Joe is 60 and Jane is 59.
- Joe's benefit at FRA is $2,335
- Jane's benefit at FRA is $1,442
- Both assumed they should begin benefits at age 62
- How can they optimize their Social Security benefits?

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

In Our Example…

- Joe should file and suspend his benefits when Jane reaches her full retirement age (66)
- Jane files a restricted application for spousal benefits only at that point
- Joe begins taking his benefits at age 70
- Jane switches to benefits based on her record when she turns 70

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

Results

Assuming a life expectancy of 85 on Joe and 92 on Jane with a 2% inflation factor:

- Using the primary strategy just described:
  - Cumulative benefits: **$1,822,823**
- Both taking at age 62
  - Cumulative benefits: **$1,333,749**

A potential difference of $489,074 over their lifetimes!!!

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance.

Social Security Benefits

By delaying taking Social Security until your full retirement age, you can increase your benefits by 20% - 30%. You'll get an additional 8% for each year you wait up to age 70.

Social Security Benefits

Benefits are based on Average Indexed Monthly Earnings "AIME"

Formula for calculating your benefits:

90% of first $791 AIME Plus

32% of AIME from $791-$4,768 Plus

15% of AIME over $4,768

Earnings limit before full retirement age = $15,720*
(For every $2 over you give back $1)

Year of full retirement age = $44,880*
(For every $3 over you give back $1)

* 2015 Limits

Social Security Benefits and Your Federal Annuity

The Windfall Elimination Provision was enacted in 1986 to cause people eligible for both a pension based on non-covered employment (e.g., CSRS, CSRS Offset and **FERS Transferees** employees) and Social Security to have their Social Security calculated using a different formula.

The main exclusion is for workers with more than 30 years of substantial earnings under Social Security.

Windfall Elimination Provision

Substantial Earnings Years	Replacement Factor
30 years	90%
29 years	85%
28 years	80%
27 years	75%
26 years	70%
25 years	65%
24 years	60%
23 years	55%
22 years	50%
21 years	45%
20 years	40%

Government Pension Offset

If you can't have your own Social Security benefit – can you get your spouse's?

To determine eligibility, subtract 2/3 of government pension from spouse's Social Security benefit. If the answer is greater than zero, you are eligible for that benefit.

Government Pension Offset

Spouse's Social Security Benefit	$1,340
Your Federal Annuity Benefit ($3,000)x .66%	($1,980)
	($ 640)
You are eligible for……	0

FED TAPE

©.KRNS, FEDERAL TIMES
MAN, IT SEEMS LIKE CONGRESS WANTS TO BALANCE THE WHOLE DEFICIT ON OUR BACKS.
YEAH, WITH FURLOUGHS, PAY FREEZES, PENSION CUTS, YOU NAME IT.
BUT I REALLY THINK HALLWAY TOLLS ARE GOING TOO FAR.
TOLLBOOTH

A Short History of the TSP

Implemented in April 1987

S and I Funds added in May 2001

Everyone could participate up to IRS limits in 2005

Largest defined contribution plan in the US with $450* Billion in assets (of which $1.2 billion is Roth TSP)

~4.6 million participants (238K use Roth) with 87% of FERS employees participating

* as of 3/31/15 Source: www.frtib.gov and www.tsp.gov

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Advantages of TSP

Automatic payroll deductions

A diversified choice of investment options

A choice of tax treatments for your contributions:

- Traditional *(pre-tax) contributions* and *tax deferred investment earnings*, and
- Roth *(after-tax) contributions* with *tax-free earnings at retirement* if you satisfy the IRS requirements

The TSP website has a contribution comparison calculator for traditional and Roth contributions: www.tsp.gov/planningtools/contributioncomparison/contributioncomparison.shtml

www.tsp.gov/PDF/formspubs/tsplf30.pdf contains more information about the TSP Roth

Interesting Stats

- 30% of federal workforce spends their entire career as a fed
- 7% of federal workforce is under age 30 vs. 1975 when 20% were under 30
- In 2015, only 3% of federal workforce is CSRS
- There are 1.5 million CSRS retirees - only 391K FERS retirees
- The majority of retirees are age 60-70 - but 1,295 are over 100!
- 40 of TSP millionaires used only L Funds, 68 used combination of L and core funds and remainder used only core funds
- Total agency contributions in 2013 - $7,631,123,000
- Average employee contribution - ~$5,000

Interesting TSP Stats

4,167 TSP "millionaires" - 1 with $4.8 million! (was 208 at start of 2012 - up more than 20 times in 3 years)*

Account Balance	Number of Participants
Under $50,000	2,798,455
$50,000 – $249,999	1,426,098
$250,000 – $499,999	375,472
$500,000 – $749,999	95,664
$750,000 – $999,999	21,485
$1,000,000 and over	4167

Average time in plan - 11.6 years

Average time in plan - 25.5 years

* Source:fedsmith.com

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What's New With TSP

Four provisions in Tobacco Act of 2009 affected TSP:

- ☑ Creation of Roth TSP - May 7
- ☑ Automatic enrollment for new federal employees
- ☑ New survivorship options
- Option to create mutual fund choices for investment - TSP has opened a "mutual fund" window to determine whether it makes sense to offer any mutual fund options

Contribution Rules and Limits

- Anyone that is eligible to contribute to TSP is also eligible to contribute to Roth TSP
- No income limitations for contributing to Roth TSP
- Combined total of Roth TSP and Traditional TSP cannot exceed $18,000 and catch-up of $6,000, if age 50 or above
- You can contribute the maximum to Roth TSP as well as the maximum to an individual Roth IRA; however, there are income restrictions for a Roth IRA
- Interfund transfers, contribution elections, withdrawals, and loans will apply to both TSP and Roth TSP proportionately
- You cannot currently convert TSP funds into Roth TSP - it is being considered
- You can transfer a Roth 401(k), Roth 403(b) and Roth 457(b) into Roth TSP but **NOT** a Roth IRA

Comparison of Roth IRA and Roth TSP

Similarities:

- Contributions are made with after-tax dollars and can be withdrawn income tax-free if you are age 59 1/2 and follow the 5-year rule,
- Paying the tax in today's known tax environment may prove to be a valuable tool during retirement.

Differences:

- You are not required to take a minimum distribution from a Roth IRA, but you are required to begin taking RMD's from the Roth TSP .
- There are income restrictions to contribute to a Roth IRA; however, there are NO income restrictions to contribute to Roth TSP
- You can contribute significantly more to the Roth TSP than a Roth IRA. Depending on your income and age, the maximum contribution level for the Roth TSP is $24,000 vs. $6,500 for a Roth IRA

Considerations Before Deciding to Use the Roth TSP

1. Your current tax bracket - how much room do you have in your current tax bracket for additional taxable income?
2. Once you know how much of your eligible contribution you could make at the same tax rate, you'll want to determine the net effect on your paycheck.
3. Today your net paycheck has taxes deferred when you contribute to TSP (which means less money is taken out of your paycheck for taxes). Taxes are paid up front on contributions to the Roth TSP (which means more money will come out of your paycheck for taxes)
4. Contributing to the Roth TSP can take the uncertainty out of future tax rates and their impact on your retirement income

2015 Marginal Income Tax Rates

Table 1. 2015 Taxable Income Brackets and Rates (Estimate)			
Rate	**Single Filers**	**Married Joint Filers**	**Head of Household Filers**
10%	$0 to $9,225	$0 to $18,450	$0 to $13,150
15%	$9,225 to $37,450	$18,450 to $74,900	$13,150 to $50,200
25%	$37,450 to $90,750	$74,900 to $151,200	$50,200 to $129,600
28%	$90,750 to $189,300	$151,200 to $230,450	$129,600 to $209,850
33%	$189,300 to $411,500	$230,450 to $411,500	$209,850 to $411,500
35%	$411,500 to $413,200	$411,500 to $464,850	$411,500 to $439,000
39.6%	$413,200+	$464,850+	$439,000+

Source: Tax Foundation 2014

Considerations Before Making a Decision

- If you choose to contribute to the Roth TSP be aware:
  -Increased income may affect the tax owed on income tax deductions, exemptions, and the ability to use tax credits (as well as Social Security income, Medicare Part B premiums, if applicable)

  -Increased income may also affect your children's ability to receive scholarships and financial aid
- A Roth TSP can be rolled over to a Roth IRA and provide an income tax free legacy for your children and grandchildren

Prospects of Higher Taxes

"Just stop thinking of it as your money, and this'll go a lot easier for both of us."

TSP Options While You're Working

- Amount of Contributions
- Amount You Contribute to Roth TSP
- Allocation
- How Much You Borrow
- Withdrawals After Age 59 ½
- Beneficiaries

Thrift Savings Plan

2015 Contribution Limits –

$18,000 – under age 50

+$ 6,000 – catch-up contributions age 50 or better

$24,000 TOTAL 2015

5% Government Match for 5% Contribution

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Accessing Your TSP Account

You will need:

13-digit Account Number Issued by TSP

PIN Number Issued by TSP

You may customize your User ID by logging on to TSP website:

Can change both your sign-on and your password

Thrift Savings Plan

G Fund –

- Offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings.
- The G Fund is invested in non-marketable, short-term U.S. Treasury securities with 1-4 day maturities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no "credit risk."
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Managed in-house by the FRTIB
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.

G Fund Facts

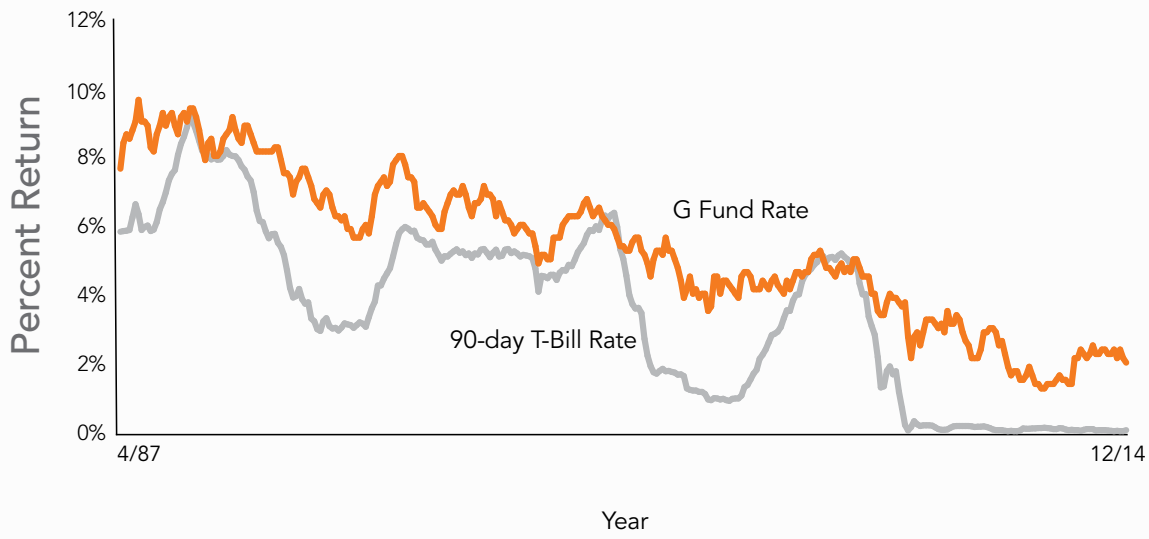
By law, the G Fund must be invested in nonmarketable U.S. Treasury securities specially issued to the TSP. The G Fund investments are kept by electronic entries, which do not involve any transaction costs to the TSP. The G Fund rate is set once a month by the U.S. Treasury based on a statutorily prescribed formula (described below), and all G Fund investments earn that interest rate for the month. (The G Fund rate is also used in other Government programs, such as the Social Security and Medicare trust funds and the Civil Service Retirement and Disability Fund.)

Although the securities in the G Fund earn a long-term interest rate, the Board's investment in the G Fund is redeemable on any business day with no risk to principal. The value of G Fund securities does not fluctuate; only the interest rate changes. Thus, when the monthly G Fund interest rate goes up, G Fund earnings accrue faster; when the G Fund interest rate declines, G Fund earnings accrue more slowly.

Calculation of G Fund Rate— G Fund securities earn a statutory interest rate equal to the average market yield on outstanding marketable U.S. Treasury securities with 4 or more years

G Fund Yield Advantage

April 1987 – December 2014



The G Fund Yield Advantage— The G Fund rate calculation results in an intermediate-term rate being earned on short-term securities. Because intermediate-term interest rates are generally higher than short-term rates, G Fund securities usually earn a higher rate of return than do short-term marketable Treasury securities. In the chart above, the G Fund rate is compared

Source: Fund Information 20134 TSPLF14

Thrift Savings Plan

F Fund –

- Offers the opportunity to earn rates of return that exceed those of money market funds over the long term with relatively low risk.
- The objective of the F Fund is to match the performance of the Barclays Capital U.S. Aggregate Index, a broad index representing the U.S. bond market.
- The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures).
- Earnings consist of interest income on the securities and gains (or losses) in the value of securities.

F Fund Facts

By law, the F Fund must be invested in fixed-income securities. The Federal Retirement Thrift Investment Board has chosen to invest the F Fund in an index fund that tracks the Barclays Capital U.S. Aggregate (U.S. Aggregate) Bond Index, formerly the Lehman Brothers U.S. Aggregate Index, a broadly diversified index of the U.S. bond market.

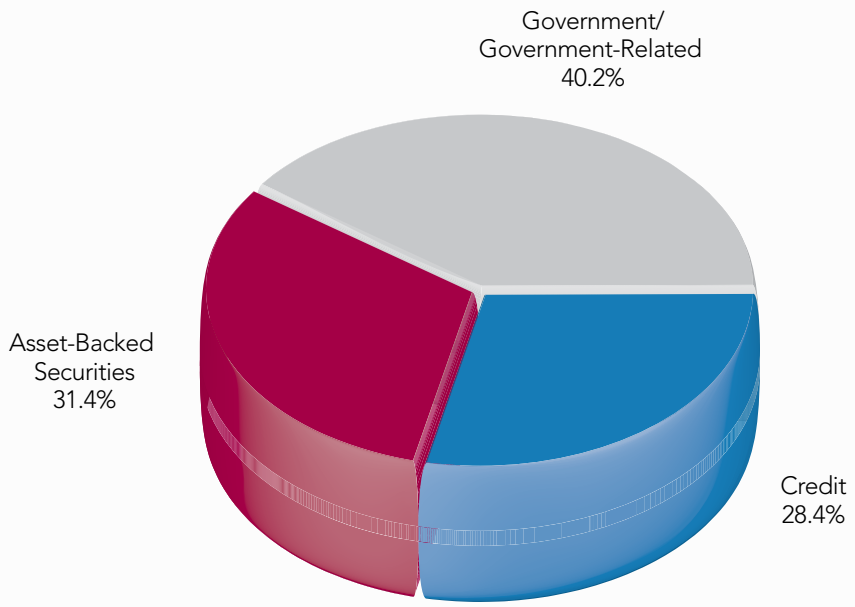
The **U.S. Aggregate Index** consists of high-quality fixed-income securities with maturities of more than one year. The index is comprised of Treasury and Agency bonds, asset-backed securities, and corporate and non-corporate bonds. On December 31, 2014, the index included 9,079 notes and bonds. Its yield to maturity* was 2.25%. The average duration (a measure of interest rate risk) of the U.S. Aggregate Index was 5.07 years, which means that a 1% increase (decrease) in interest rates could be expected to result in a 5.07% decrease (increase) in the price of a security. New issues are added continuously to the U.S. Aggregate Index, and older issues drop out as they move to within one year of maturity.

F Fund Investments — The F Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. Because the U.S. Aggregate Index contains such a large number of securities, it is not feasible for the F Fund to invest in each security in the index. Instead, BlackRock selects

Barclays Capital U.S. Aggregate Index

Bond Market Sectors

December 31, 2014



Source: Fund Information 20134 TSPLF14

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the

Thrift Savings Plan

C Fund –

- Offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.
- The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- There is a risk of loss if the S&P 500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

C Fund Facts

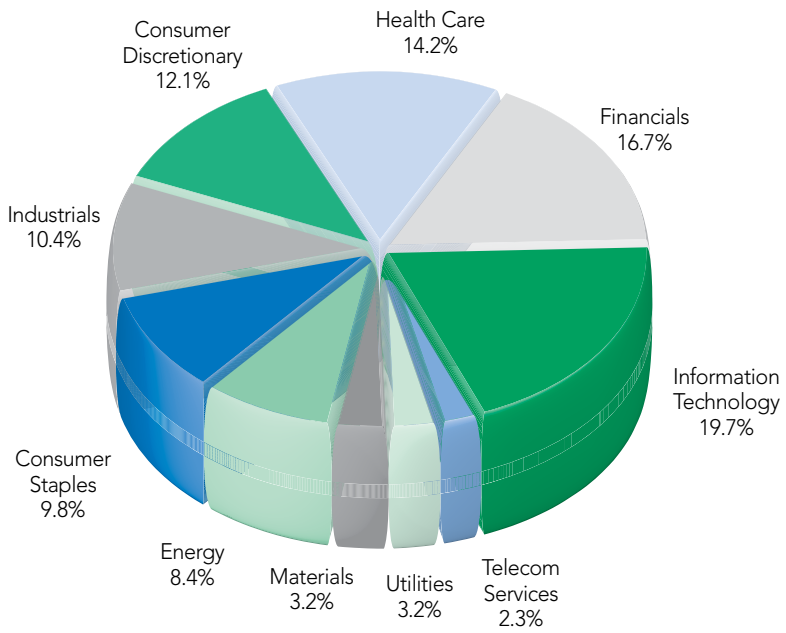
By law, the C Fund must be invested in a portfolio designed to replicate the performance of an index of stocks representing the U.S. stock markets. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Standard & Poor's 500 (S&P 500) Index, which tracks the performance of major U.S. companies and industries.

The **S&P 500 Index** is an index of 500 large to medium-sized U.S. companies that are traded in the U.S. stock markets. The index was designed by Standard & Poor's Corporation (S&P) to provide a representative measure of U.S. stock markets' performance. The companies in the index represent 156 industries classified into the 10 major sector groups shown in the chart. The stocks in the S&P 500 Index represent approximately 80% of the market value of the U.S. stock markets.

The S&P 500 is considered a "big company" index. As of December 31, 2014, the largest 100 companies in the S&P 500 represented approximately 63% of the index's market value. The S&P 500 Index includes 390 securities traded on the New York Stock Exchange and 112 securities that are traded on the NASDAQ. The market value of the largest company in the index is approximately $650 billion; the market value of the smallest company is approximately $5.0 billion.

The S&P 500 Index is weighted by

S&P 500 Index
Major Industry Groups
December 31, 2014



Source: Fund Information 2014 TSPLF14

C Fund Investments—The C Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. The C Fund holds all the stocks included in the S&P 500 Index in virtually the same weights that they have in the index. The per

G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)

Thrift Savings Plan

S Fund –

- Offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of small and medium-sized U.S. companies.
- The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- There is a risk of loss if the DJW 4500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains (or losses) in the prices of stocks, and dividend income.

S Fund Facts

By law, the S Fund must be invested in a portfolio designed to replicate the performance of an index of U.S. common stocks, excluding those that are held in the C Fund. The Federal Retirement Thrift Investment Board has chosen as its benchmark the Dow Jones U.S. Completion Total Stock Market Index, which tracks the performance of the actively traded non-S&P 500 stocks in the U.S. stock markets.

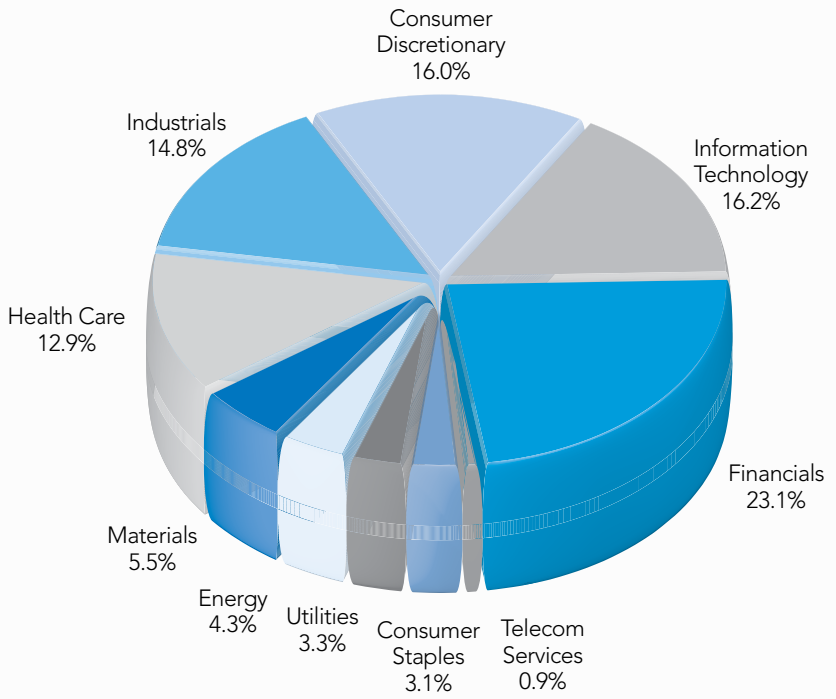
The **Dow Jones U.S. Completion Total Stock Market Index** is an index of all actively traded U.S. common stocks that are not included in the S&P 500 Index. The index is designed to be the broadest measure of the non-S&P 500 domestic stock markets. As of December 31, 2014, the index was comprised of 3,274 common stocks. The Dow Jones U.S. Completion TSM Index made up approximately 20% of the market value of the U.S. stock markets; the S&P 500 accounted for the other 80%. Thus, the combined S Fund and C Fund cover virtually the entire U.S. stock markets.

The Dow Jones U.S. Completion TSM Index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not freely traded, such as the holdings of controlling shareholders and their families, company

Dow Jones U.S. Completion TSM Index

Major Industry Groups*

December 31, 2014



* Due to rounding, numbers may not add up to exactly 100%.

Source: Fund Information 2013 TSPLF14

Trust Company, N.A. The Fund is invested in the Dow Jones U.S. Completion TSM Index, which contains a large number of stocks, including illiquid stocks with low trading volume and stocks with prices lower than $1.00

is evaluated on the basis of how closely its returns match those of the Dow Jones U.S. Completion TSM Index.

A portion of S Fund assets is reserved to meet the needs of daily client activ

Thrift Savings Plan

I Fund –

- Offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside the United States.
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index.
- There is a risk of loss if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).
- Earnings consist of gains (or losses) in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

I Fund Facts

By law, the I Fund must be invested in a portfolio designed to track the performance of an index of common stocks representing international stock markets outside of the United States. The Federal Retirement Thrift Investment Board has chosen as its benchmark the MSCI EAFE (Europe, Australasia, Far East) Index, which tracks the overall performance of the major companies and industries in the European, Australian, and Asian stock markets.

A significant component of the return of the EAFE Index (and the I Fund) results from changes in the value of the U.S. dollar relative to the currencies of the countries represented in the index. For example, the EAFE Index returned 7.75% in 2010, but that return included a decrease in the value of the U.S. dollar, which increased the return by 2.93%.

The **EAFE Index**, published by MSCI, is an index of the equity markets of the developed world outside of the United States and Canada. It is the most widely used international stock index. As of December 31, 2014, the index covered the equity markets of 21 countries, as shown in the table.

The companies in the EAFE Index are large companies. The index is weighted by float-adjusted market capitalization, in which a company's market value and its weighting in the index are calculated using the number of shares that are freely traded, rather than all outstanding shares. Shares that are not market value of its stock market as a percentage of the combined float-adjusted market value of all stock markets included in the EAFE Index.

The I Fund is invested in a separate account that is managed by BlackRock Institutional Trust Company, N.A. The I Fund holds common stocks of all the companies represented in the EAFE Index in virtually the same weights that they have in the index. The return on the I Fund will differ from that of the EAFE Index on days when BlackRock makes a "fair valuation" adjustment to the price of the securities held by the fund. Fair valuation adjustments are made on days when there are large movements in either U.S. equity markets or currency exchange rates after the foreign markets have closed. Fair valuation pre-

EAFE Equity Index Fund
Country Composition
December 31, 2014

Country	Percent of Holdings*	Number of Companies
Europe		
Austria	0.2	7
Belgium	1.3	11
Denmark	1.5	14
Finland	0.9	12
France	9.7	75
Germany	9.2	54
Ireland	0.3	4
Italy	2.3	26
Netherlands	2.8	23
Norway	0.7	9
Portugal	0.2	4
Spain	3.5	23
Sweden	3.1	31
Switzerland	9.3	38
United Kingdom	21.1	109
Europe	65.9	440
Australasia/Far East		
Australia	7.5	71
Hong Kong	3.1	40
Israel	0.6	9
Japan	21.2	314
New Zealand	0.2	7
Singapore	1.6	29
Australasia/Far East	34.1%	470
Total EAFE Index	**100.0%**	**910**

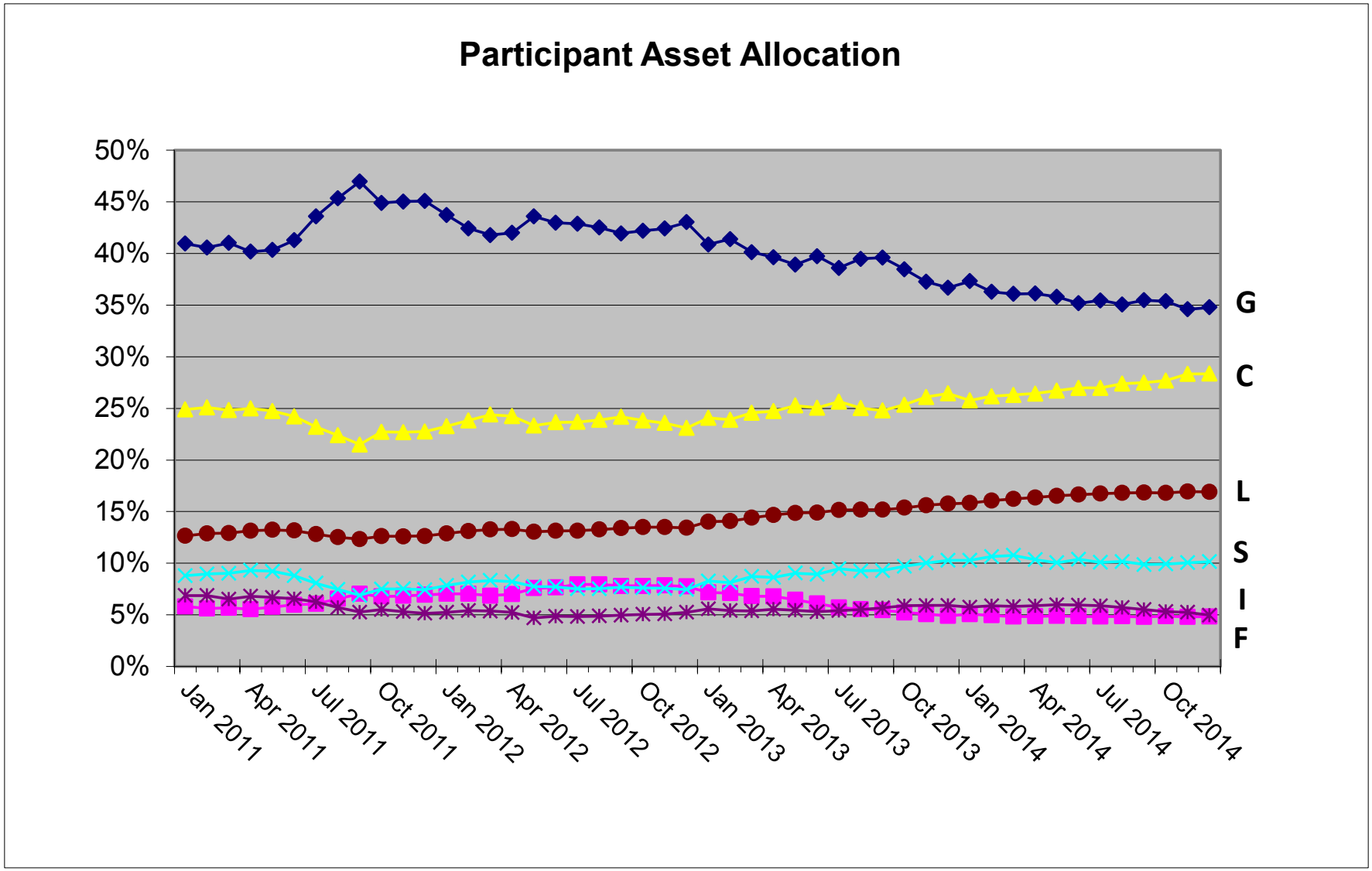
Source: BlackRock
* Due to rounding, numbers may not add up to exactly 100%.

Source: Fund Information 2014 TSPLF14

Note: Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds.

THRIFT SAVINGS PLAN MONTHLY INVESTMENT ACTIVITY
December 2014

Attachmer



Thrift Savings Plan - Funds

Lifecycle Funds - The L Funds provide you with a convenient way to diversify your account among the G, F, C, S, and I Funds, using professionally determined investment mixes that are tailored to different time horizons. Your "time horizon" is the date (after you leave Federal service) that you think you will need the money in your TSP account.

L20??

- The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The asset allocations are based on Mercer's assumptions regarding future investment returns, inflation, economic growth, and interest rates.
- The L Funds are rebalanced to their target allocations each business day.
- When a fund reaches its horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon
- Putting your entire TSP account into one of the L Funds allows you to achieve the best expected return for the amount of expected risk that is appropriate for your time horizon.

Allocations as of April 2015

L2050

G Fund – 10.08%
F Fund - 4.67%
C Fund - 42.1%
S Fund - 18.05%
I Fund - 25.1%

L2040

G Fund – 18.78%
F Fund - 5.97%
C Fund - 38.1%
S Fund - 16.05%
I Fund - 21.1%

L2030

G Fund – 28.83%
F Fund - 5.92%
C Fund - 34.1%
S Fund - 12.1%
I Fund - 19.05%

L2020

G Fund – 44.15%
F Fund - 5.48%
C Fund - 27.17%
S Fund - 8.1%
I Fund - 15.1%

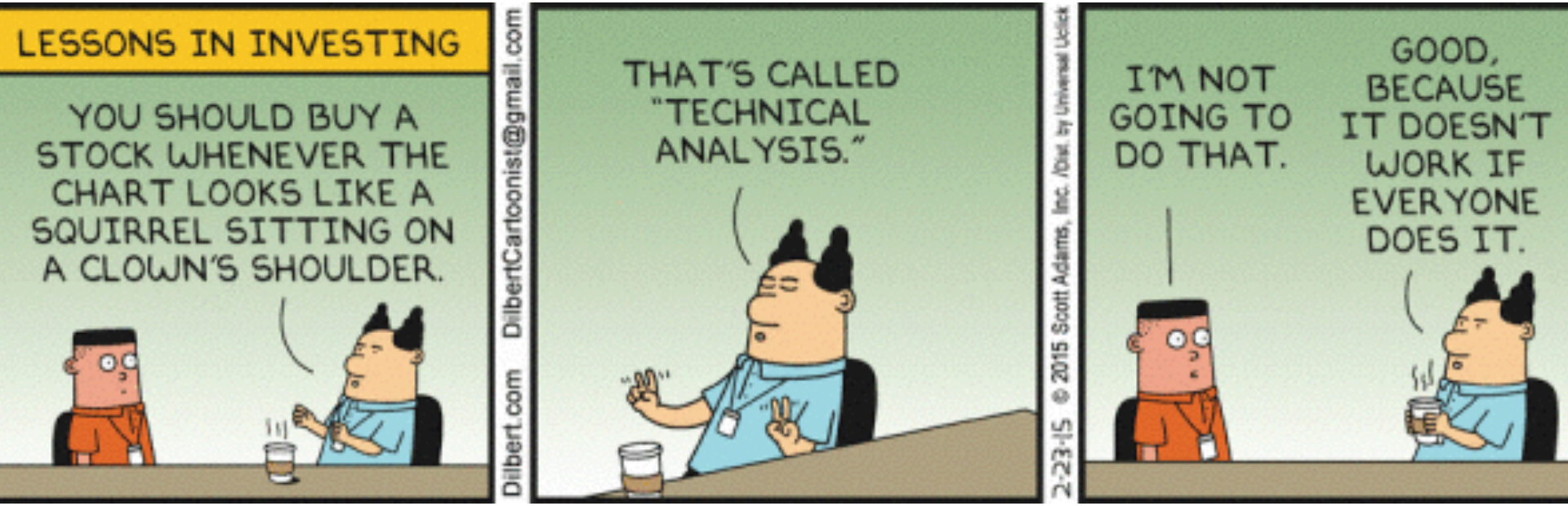
L **Income**

G Fund – 74%
F Fund - 6%
C Fund - 12%
S Fund - 3%
I Fund - 5%

Allocating Your TSP In Volatile Markets

Allowed 2 Inter-fund Transfers per Month

Can Move Funds into the G Fund in Addition to the Inter-Fund Transfers



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Allocating Your TSP In Volatile Markets

Considerations:

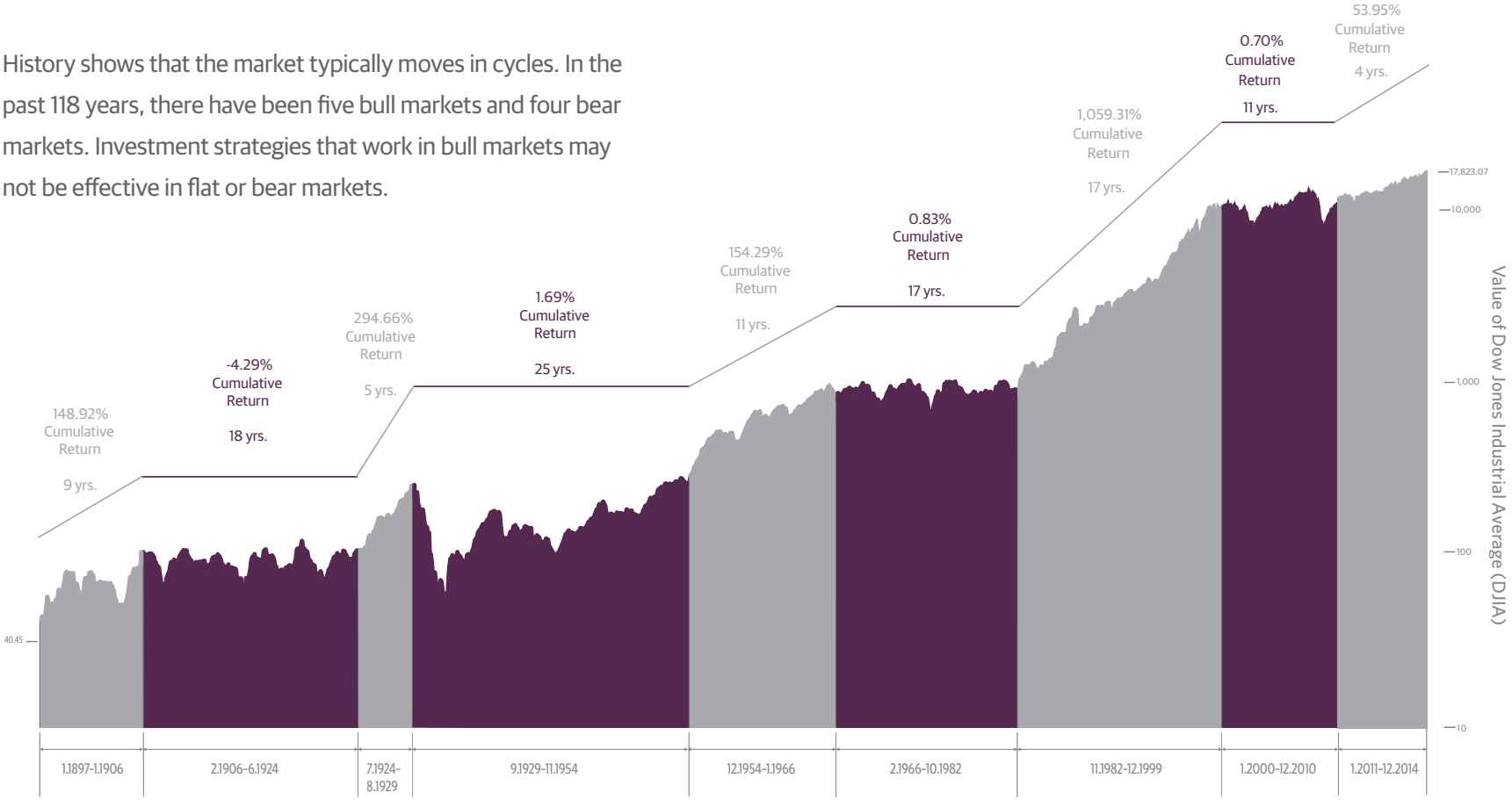
Assessing Your Tolerance for Risk

https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf

NOT A GOOD SIGN. OUR STOCK BROKER ENCLOSED A MOTION SICKNESS BAG WITH OUR LATEST STATEMENT...
STOCK MARKET IN FOR A WILD RIDE AFTER U.S. CREDIT DOWNGRADE

Dow Jones Industrial Average **Historical Trends**

History shows that the market typically moves in cycles. In the past 118 years, there have been five bull markets and four bear markets. Investment strategies that work in bull markets may not be effective in flat or bear markets.

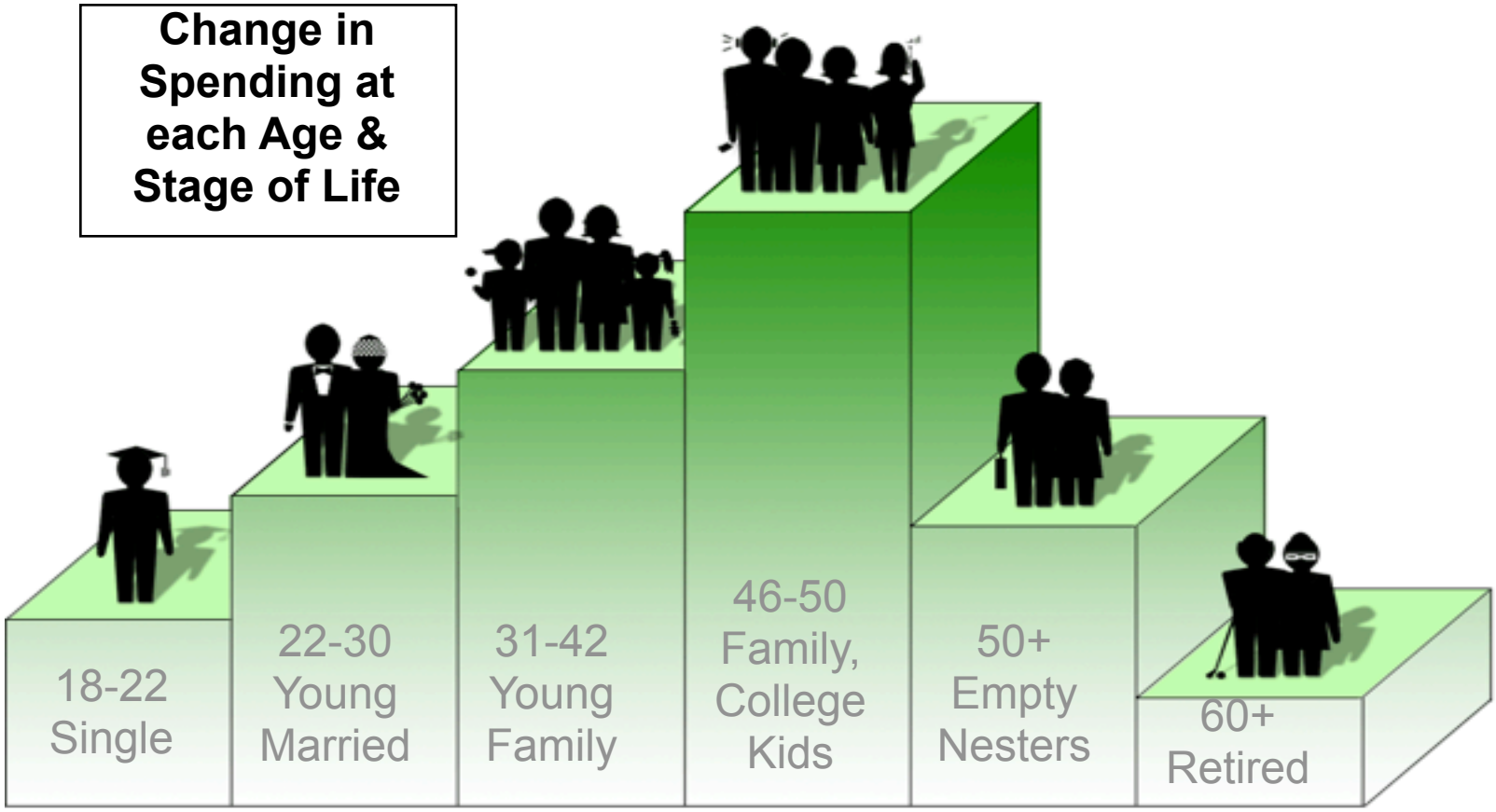


Source: Graph created by Guggenheim Investments using data from dowjones.com. Cumulative returns are calculated by Guggenheim Investments. Logarithmic graph of the Dow Jones Industrial Average from 1.1897 through 12.2014. Bull and bear markets illustrated are long-term secular periods and do not necessarily indicate all bull or bear market periods, which may differ based on methodology utilized. For this analysis, we considered the end of a bull market when the index drops below its peak and stays there for a significant period of time.

Performance displayed represents past performance, which is no guarantee of future results. *For more information call 800.345.7999 or visit guggenheiminvestments.com.*

The "Dow Jones Industrial Average" is a product of S&P Dow Jones Indices LLC ("SPDJI"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); DJIA®, The Dow®, Dow Jones®, and Dow Jones Industrial Average are trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI. Guggenheim Investments is not sponsored, endorsed, sold, or promoted by SPDJI, Dow Jones, S&P, and their respective affiliates do not sponsor, endorse, sell, or promote investment products based on the Dow Jones Industrial Average, and none of such parties make any representation regarding the advisability of investing in such products nor do they have any liability for any errors, omissions, or interruptions of the Dow Jones Industrial Average.

The bigger picture…



Source: H.S. Dent Foundation

Two of the greatest attributes any market participant can have are discipline and a plan of action. Without either of those you may find yourself subject to a vicious journey like this:

Courtesy of Business Insider: http://www.businessinsider.com/how-not-to-invest-2014-4?utm_source=Triggermail

Allocating Your TSP In Volatile Markets

Considerations:

Assessing Your Tolerance for Risk
https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf

Past Performance
Look at historical returns on www.tsp.gov

10-year Average Returns

Year	G Fund	F Fund	C Fund	S Fund	I Fund
2005	4.49%	2.40%	4.96%	10.45%	13.63%
2006	4.93%	4.40%	15.79%	15.30%	26.32%
2007	4.87%	7.09%	5.54%	5.49%	11.43%
2008	3.75%	5.45%	(36.99%)	(38.32%)	(42.43%)
2009	2.97%	5.99%	26.68%	34.85%	30.04%
2010	2.81%	6.71%	15.06%	29.06%	7.94%
2011	2.45%	7.89%	2.11%	(3.38%)	(11.81%)
2012	1.47%	4.29%	16.07%	18.57%	18.62%
2013	1.89%	(1.68%)	32.45%	38.35%	22.13%
2014	2.31%	6.73%	13.78%	7.8%	(5.27%)
10-yr Avg	3.12%	4.89%	7.72%	9.44%	4.57%

10-year Average Returns

Year	L Income	L 2020	L2030	L2040	L2050
2005*	2.15%	3.40%	3.59%	3.92%	
2006	7.59%	13.72%	15.00%	16.53%	
2007	5.56%	6.87%	7.14%	7.36%	
2008	(5.09%)	(22.77%)	(27.50%)	(31.53%)	
2009	8.57%	19.14%	22.48%	25.19%	
2010	5.74%	10.59%	12.48%	13.89%	
2011	2.23%	0.41%	(0.31%)	(0.96%)	
2012	4.77%	10.42%	12.61%	14.27%	15.85%
2013	6.97%	16.03%	20.16%	23.23%	26.20%
2014	3.77%	5.06%	5.74%	6.22%	6.37%
10-yr Avg	4.15%	5.62%	6.16%	6.51%	

TSP Fund Returns

- For TSP fund returns use the link:
  - https://www.tsp.gov/investmentfunds/returns/returnSummary.shtml

Year	G Fund	F Fund	U.S. Agg. Bond Index	C Fund	S&P 500 Index	S Fund	DJ U.S. Completion TSM Index	I Fund	EAFE Index
2009	2.97%	5.99%	5.93%	26.68%	26.46%	34.85%	37.43%	30.04%	31.78%
2010	2.81%	6.71%	6.54%	15.06%	15.06%	29.06%	28.62%	7.94%	7.75%
2011	2.45%	7.89%	7.84%	2.11%	2.11%	(3.38%)	(3.76%)	(11.81%)	(12.14%)
2012	1.47%	4.29%	4.22%	16.07%	16.00%	18.57%	17.89%	18.62%	17.32%
2013	1.89%	(1.68%)	(2.03%)	32.45%	32.39%	38.35%	38.05%	22.13%	22.78%

Source: tsp.gov

Year-to Date Returns as of 4/30/2015

G Fund - .62%

F Fund - 1.40%

C Fund - 1.94%

S Fund - 3.81%

I Fund - 10.05%

L Income-1.41%

L 2020 - 2.73%

L 2030 - 3.32%

L 2040 - 3.69%

L 2050 - 4.16%

Source: tsp.gov

Allocating Your TSP In Volatile Markets

Considerations:

Assessing Your Tolerance for Risk
https://advisors.vanguard.com/iwe/pdf/investor_questionnaire.pdf
Past Performance
Look at historical returns on www.tsp.gov
Periodic Updates from TSP
Go to www.tsp.gov and Click on "Get e-mail updates
Click on the icon to subscribe and you'll receive automatic updates by e-mail from TSP

Outside Resources

HOW TO READ YOUR Annual TSP Participant Statement

Thrift Savings Plan

[Mail Barcoding]

Name
Address Line 1
Address Line 2
City, State Zip Code

How your account value changed in 20YY

	Traditional	Roth	Total
Value on January 1, 20YY			
Change in value this year			
Value on December 31, 20YY			

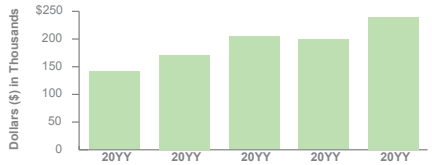
A summary of the activity in your account for the year. If you have only one type of balance, you will see only one column of numbers.

Your vested account balance is $xx,xxx,xxx.xx

You are always vested in (entitled to keep) your own contributions and your Agency Matching Contributions. However, you must meet time-in-service requirements to be entitled to keep your Agency Automatic (1%) Contributions. (See your own vesting requirement in the blue Account Number box to the right.)

Non-vested, active FERS employees only

Your 5-Year Account Balance History



In this section, you can compare your annual account balances for the statement year and up to four preceding years.

Questions?

Visit www.tsp.gov

ThriftLine: 1-TSP-YOU-FRST (1-877-968-3778)
Outside the U.S. and Canada: 404-233-4400
TDD: 1-TSP-THRIFT5 (1-877-847-4385)

To correct any of your personal information, contact your agency.

This information depends on your employment status and may be different on your statement.

Your 20YY Annual Statement

Account Number:
1234 5678 91011

Date of Birth:
Retirement Coverage:
Employment Status:

Check to see if this information is correct.

Service Required for Vesting:

For FERS only, vesting pertains to Agency Automatic (1%) Contributions.

Legal Residence:

Uniformed service members only

Will you be ready for retirement?

Your 12/31/20YY account balance would provide you a lifetime TSP monthly amount of

$1,263*

*This estimate assumes:

- Age 62, or your current age if you are older
- A single life annuity, with level payments and no additional features
- An annuity interest rate index of x.xxx%

Think of the amount in your account as a source of monthly income in your retirement years rather than as a single sum of money. If your account balance were twice your current balance, your lifetime monthly amount would be twice the amount shown above, and so on. Use the How Much Will My Savings Grow? calculator on the TSP website to estimate how your account might grow over time.

If you have at least $20,000 in your account, this space will show you the estimated TSP monthly annuity amount you could expect to receive in retirement until the end of your life, using your end-of-year account balance.

To estimate what your account balance would actually be when you are ready to withdraw your account in retirement, use the How Much Will My Savings Grow? calculator on the TSP website.

Keep your account secure — review your account profile.

Custom ID Created: mm/dd/yyyy
Web Password Date: mm/dd/yyyy
Web Access: Blocked
ThriftLine PIN Date: mm/dd/yyyy
ThriftLine Access: Blocked
Quarterly Statements: Electronic
Annual Statements: Mailed
Account Hold: Yes
Power of Attorney or Guardianship/ Conservatorship: On File

Check this section carefully. It shows all the information we have for you in your account profile. If you think there are errors in any of this information, call the ThriftLine and speak to a Participant Service Representative.

Thrift Savings Plan - Fees

2014 Expense Fees = .0285%

Use low-cost index funds

Keep it simple – only five funds available

Huge economies of scale – competitive procurement

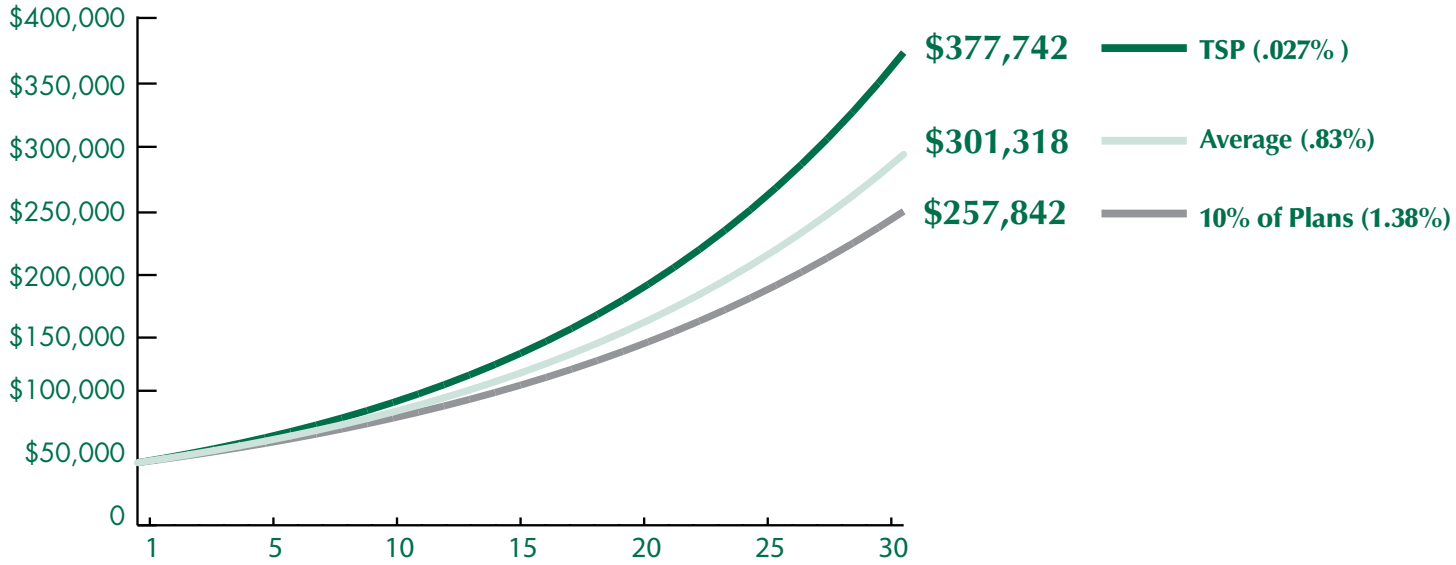
Use commingled trust funds instead of individual accounts

- Only invest one amount per fund each day
- Individual accounts are maintained in TSP

Long-term Effects of Lower Fees

Average Fee in Defined Contribution Plan - $8.30/$1,000
10% of Defined Contribution Plans Have Fees - $13.80/$1,000

Long-term effect of paying less to invest? You save more — a lot more. Compare how $50,000 will grow over 30 years at various fee levels (and a 7% annual rate of return).



* Deloitte. "Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the 'All-In' Fee." Investment Company Institute, 2011.

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www.annvanderslice.com

Know Your Investment Costs!

- Do not focus solely on the rate of return of an investment.
- Before investing, be sure you understand both the initial expenses and the annual expenses (fees) that will lower your investment returns over time.
- If you use brokerage or a financial adviser, be sure you know the amount of broker commission or adviser's annual fee before you invest.

Tips for Maximizing Your TSP

Don't contribute too much, too soon

Develop a strategy/plan for monitoring your funds

- What's the overall state of the economy
- What are you willing to risk
- How does your current allocation fit your retirement plan
- If you have had a loss, what's your recovery plan

Types of TSP Loans

General Purpose
No documentation required

and

Residential
For purchase or construction
of a primary residence

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TSP Loans

Two Types of TSP Loans – May have one of each
- General – 1-5 years to repay – No documentation
- Residential – 1-15 years to repay – Documentation

Apply Online or Paper Application (TSP-20)

Current Interest Rate –2%

Amounts You Can Borrow
- Must borrow at least $1,000
- 50% of current vested balance up to $50,000

After Repaying Loan Must Wait 60 Days to Borrow Again

TSP Loans

Risks –

Loan payments may cause you to contribute less to your TSP

If your TSP earns a higher return than the loan interest rate, there will be less in TSP

Residential loans are not considered mortgages and interest is not deductible on tax return

Your loan is paid back with after-tax dollars

TSP Withdrawal Options

Once you've separated from Federal service or the uniformed services, you are required to make a withdrawal choice for your TSP account balance by April 1 of the year following the year you become age 70½.

You **do not** have to withdraw your TSP account all at once (though you have this choice). However, you must start to withdraw the IRS "Required Minimum Distribution" which is the amount that you must withdraw each year.

TSP Withdrawal Options - Cont'd

You can choose to:

- Receive TSP monthly payments (you can change the dollar amount during the annual change period at the end of each calendar year);
- A life annuity;
- Withdraw part of your TSP account; or
- Any combination of those three options.

For more details, see www.tsp.gov/PDF/formspubs/tspbk02.pdf

Creating Income From Your TSP in Retirement

Two Chances to Take Distributions at Retirement -

Partial withdrawal using Form TSP-77
Full withdrawal using Form TSP-70

OR

Create an immediate annuity through TSP (Met Life) Current Rate 2.125%

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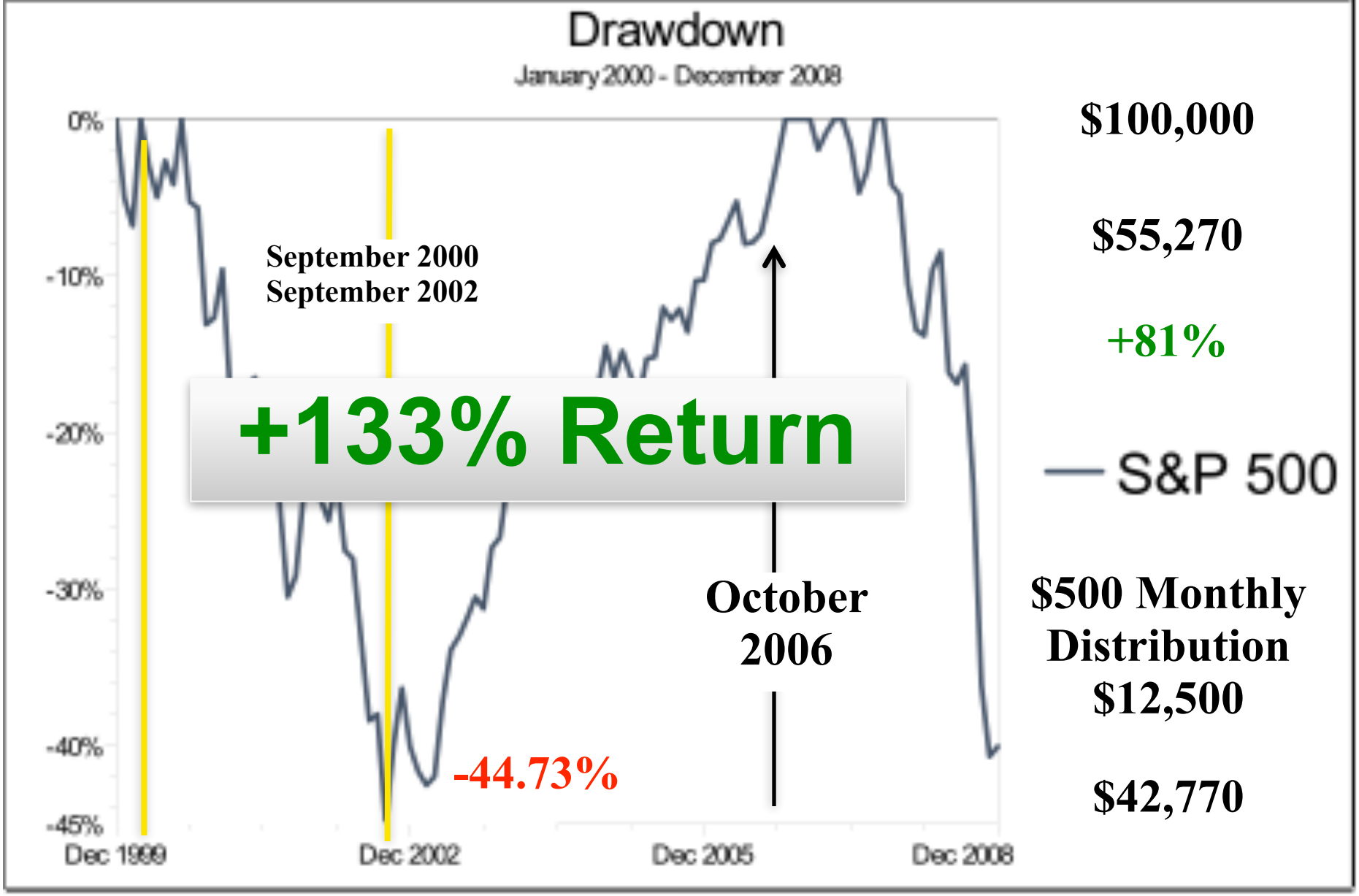
Drawdown
January 2000 - December 2008
0%
-10%
-20%
-30%
-40%
-45%
Dec 1999
Dec 2002
Dec 2005
Dec 2008
September 2000
September 2002
+133% Return
October
2006
-44.73%
$100,000
$55,270
+81%
S&P 500
$500 Monthly
Distribution
$12,500
$42,770

2 Brothers, 2 (Different) Retirements

- Two Brothers, Steve and Bill, each retire with $500,000 in their Thrift Savings Plan
- Both Will Use $30,000 Annually for Income
- **Steve retires in <u>1990</u>; Bill retires in <u>2000</u>**
- The result?

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Income and Sequence of Returns

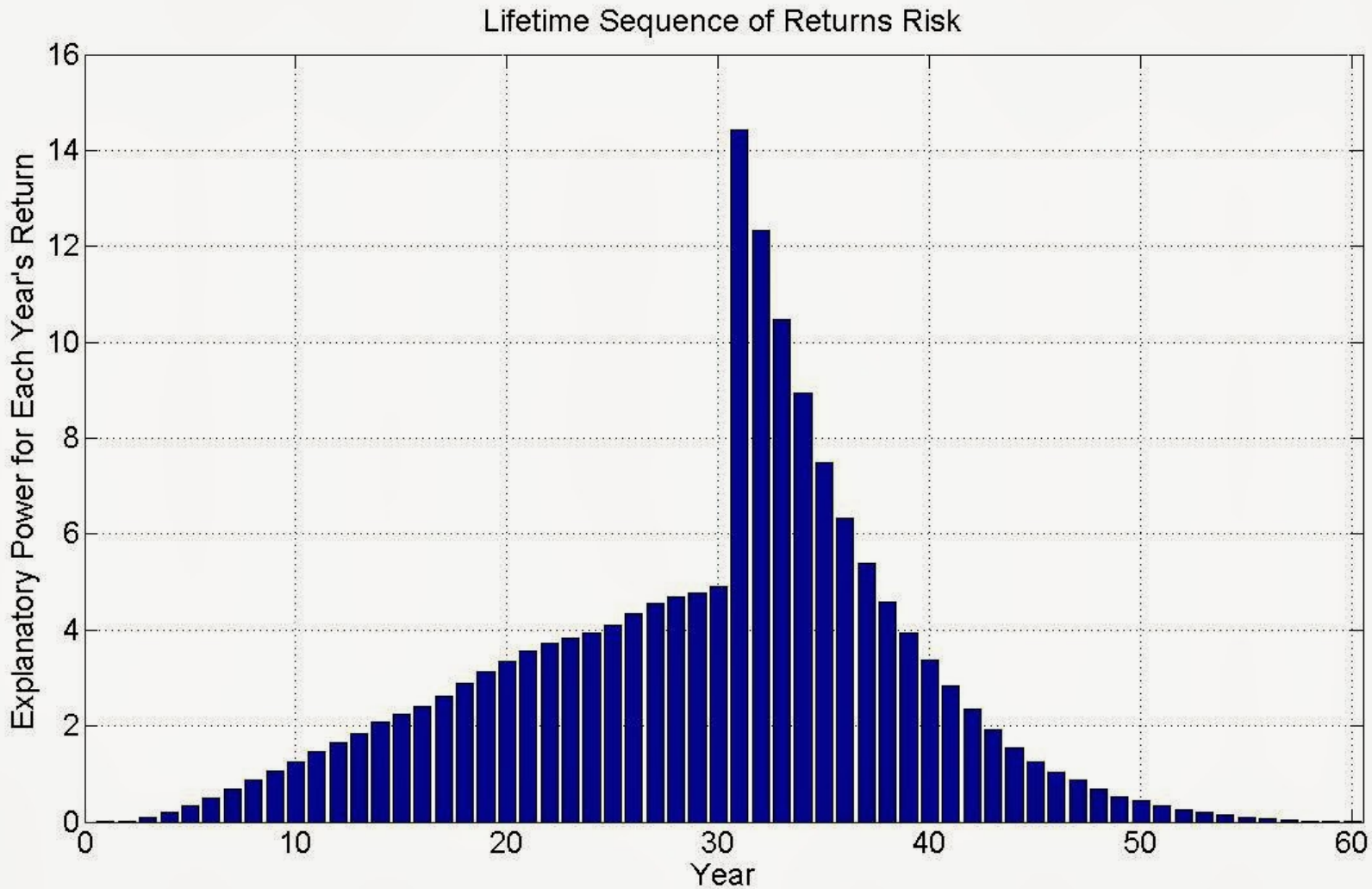
Steve
Retired in **1990**

Year	Return	WD	Balance
1990	-4.34%	$ 30,000	$ 449,602
1991	20.32%	$ 30,000	$ 504,865
1992	4.17%	$ 30,000	$ 494,667
1993	13.72%	$ 30,000	$ 528,419
1994	2.14%	$ 30,000	$ 509,085
1995	33.45%	$ 30,000	$ 639,340
1996	26.01%	$ 30,000	$ 767,829
1997	22.64%	$ 30,000	$ 904,873
1998	16.10%	$ 30,000	$ 1,015,728
1999	25.22%	$ 30,000	$ 1,234,328

Bill
Retired in **2000**

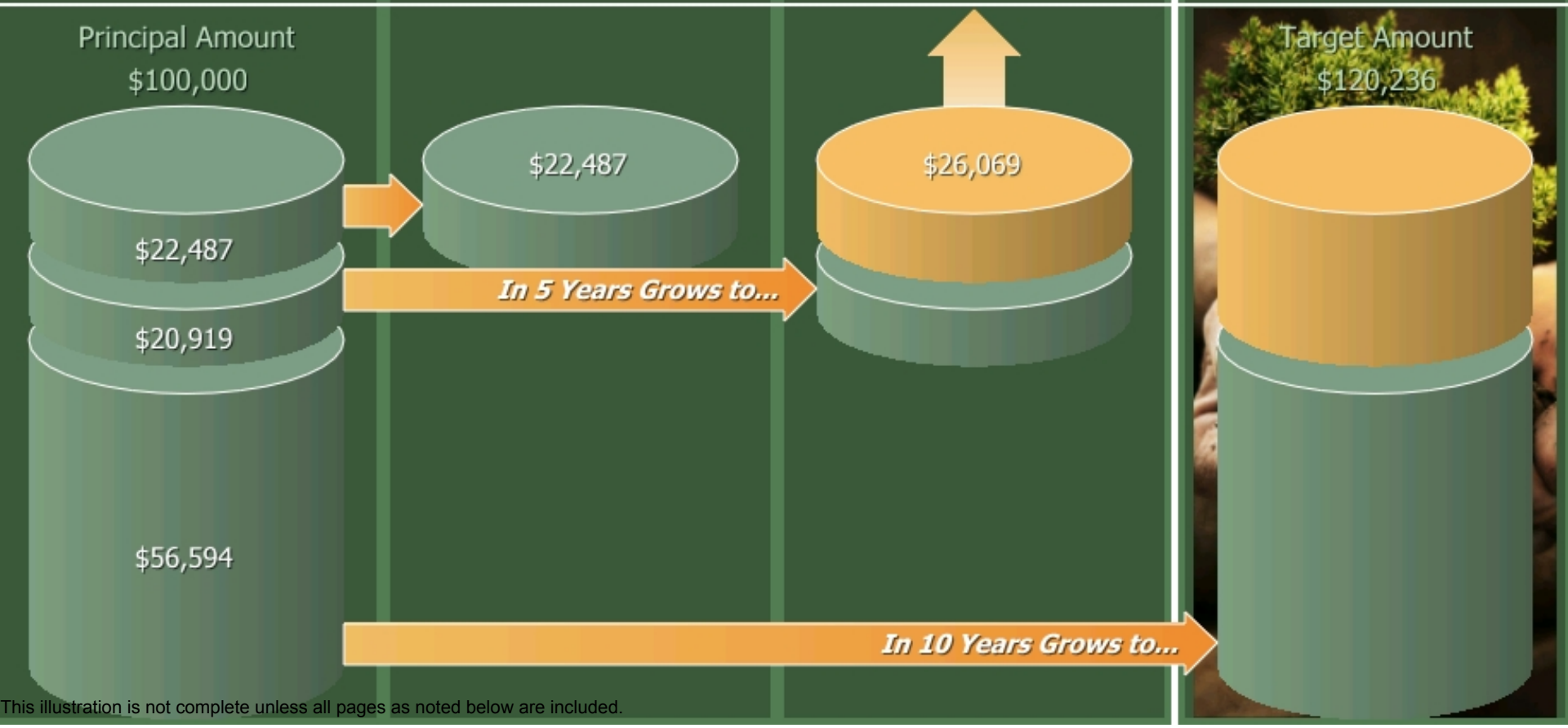
Year	Return	WD	Balance
2000	-6.18%	$ 30,000	$ 440,954
2001	-7.10%	$ 30,000	$ 381,776
2002	-16.76%	$ 30,000	$ 292,819
2003	25.32%	$ 30,000	$ 329,364
2004	3.15%	$ 30,000	$ 308,794
2005	-0.61%	$ 30,000	$ 277,094
2006	16.29%	$ 30,000	$ 287,345
2007	6.43%	$ 30,000	$ 273,892
2008	-33.84%	$ 30,000	$ 161,359
2009	18.82%	$ 30,000	$ 156,081

This hypothetical example is for illustrative purposes only, and should not be deemed a representation of past or future results, and is no guarantee of return or future performance. This example does not represent any specific product and/or service.
Source: Forecastchart.com – The Dow Jones Industrial Average is an index of 30 large, publicly traded companies based in the United States. Investors cannot invest directly in an index. Dividends are not included.



What the figure shows is how much each year's return impacts the financial planning outcomes. For the first 30 years, what we see is the percentage of the final wealth accumulation at the retirement date which can be explained by the investment return experienced in years 1-30. What we observe is that with wealth so low at the beginning, the early returns have very little impact on the final result. A given percent change in the portfolio value does not have much impact on the absolute amount of wealth accumulated at the end. It is the returns experienced at the end of the 30-year period which have the biggest impacts on the final wealth accumulation, as this is when a given percentage change in the portfolio value has the biggest impact on absolute wealth.

	Period 1					Period 2					Final Tier
Payout Age	65	66	67	68	69	70	71	72	73	74	75...
Pre-Tax Monthly Income	$409/mo					$474/mo					$549/mo
Percent Non-taxable	0%					0%					N/A



This illustration is not complete unless all pages as noted below are included.

Investing Outside the TSP

Common investment avenues outside the TSP are:

- Broker Dealers
- Investment Advisers
- Funds
- Insurance Companies

If you Choose to Invest Outside the TSP, Know who You're Dealing With!

The Securities and Exchange Commission has an Investment Adviser Public Disclosure website:

http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx

You can learn more about brokers and their representatives through the FINRA webpage:

www.finra.org/Investors/ToolsCalculators/BrokerCheck

For accredited designations of financial professionals, use the link:

http://www.finra.org/Investors/ToolsCalculators/ProfessionalDesignations/AccreditedDesignations/index.htm

THRIFT SAVINGS PLAN
REQUEST FOR FULL WITHDRAWAL

TSP-70

I. INFORMATION ABOUT YOU — This section is required.

1. This request applies to my: ☐ Civilian Account **OR** ☐ Uniformed Services Account

2. Last Name _____ First Name _____ Middle Name _____

3. TSP Account Number _____

4. Date of Birth (mm/dd/yyyy) ___/___/_____

5. Daytime Phone (Area Code and Number) _____

6. ☐ Foreign address? Check here.

7. Street Address or Box Number (**For a foreign address, see instructions on back.**) _____
   Street Address Line 2 _____

8. City _____

9. State _____

10. Zip Code _____ – _____

II. MARRIED FERS AND UNIFORMED SERVICES PARTICIPANTS — If your total TSP account balance is more than $3,500, your spouse is entitled to a joint life annuity with a 50% survivor benefit, level payments, and no cash refund. Check Item 11 below to use your **entire** account balance to purchase that annuity. Otherwise, complete Items 12–15, then proceed to Section IV.

11. ☐ I choose the default joint life annuity with my spouse. (Option 3b in Section XII). Skip to Section VI and complete Page 6.

12. Spouse's Name (Last, First, Middle) _____ Spouse's Social Security Number ___-__-____

If you are not able to obtain your spouse's signature below, provide your spouse's name and Social Security number and submit Form TSP-16, Exception to Spousal Requirements (TSP-U-16 for uniformed services), with this request.

Spouse's waiver: I waive my right to a joint life annuity with a 50% survivor benefit, level payments, and no cash refund.

13. Spouse's Signature _____

14. Date Signed (mm/dd/yyyy) ___/___/_____

15. **Notary: Please complete the following. No other acknowledgement is acceptable (see instructions).**

The person who signed Item 13 is known to or was identified by me, and before me signed or acknowledged to have signed this form. In witness thereof, I have signed below on this _____ day of _____, _____.
Month Year

My commission expires: _____
Date (mm/dd/yyyy)

Notary Public's Signature _____

(seal)

Jurisdiction _____

III. MARRIED CSRS PARTICIPANTS — We must notify your spouse of your withdrawal request.

16. Spouse's Name (Last, First, Middle) _____

17. Is your spouse's address the same as your address?
☐ Yes ☐ No (Complete Items 18–22.) ☐ Don't know spouse's address. (Provide spouse's SSN and submit Form TSP-16.) ___-__-____ Spouse's Social Security Number

18. ☐ Spouse has foreign address? Check here.

19. Street Address or Box Number (**For a foreign address, see instructions.**) _____
    Street Address Line 2 _____

20. City _____

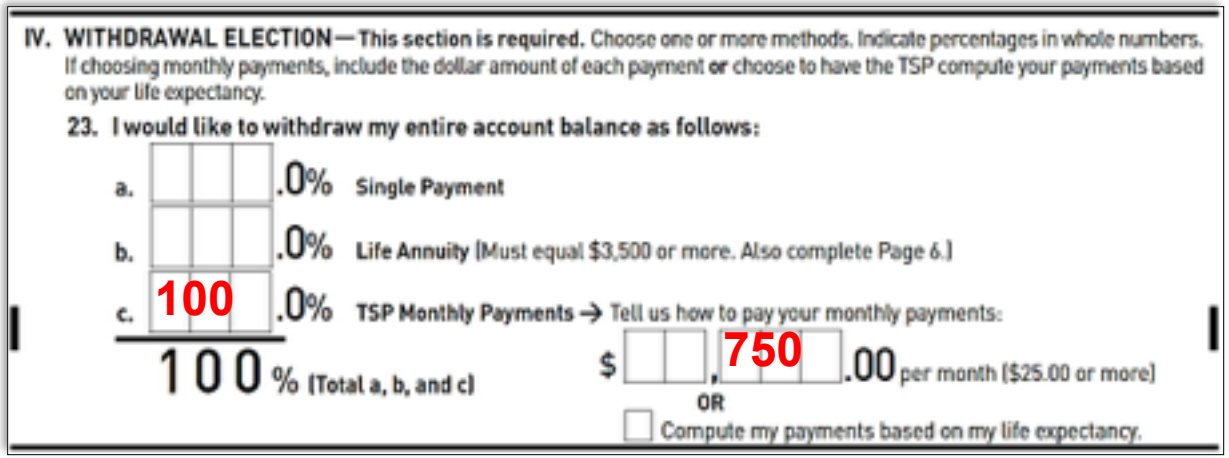
21. State _____

22. Zip Code _____ – _____

Do Not Write Below This Line

Monthly Payments

- Fixed dollar amount
  - Amount specified by participant
  - Minimum payment $25
  - Amount may be changed annually



IV. **WITHDRAWAL ELECTION**—**This section is required.** Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment **or** choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. ___ .0% **Single Payment**

b. ___ .0% **Life Annuity** (Must equal $3,500 or more. Also complete Page 6.)

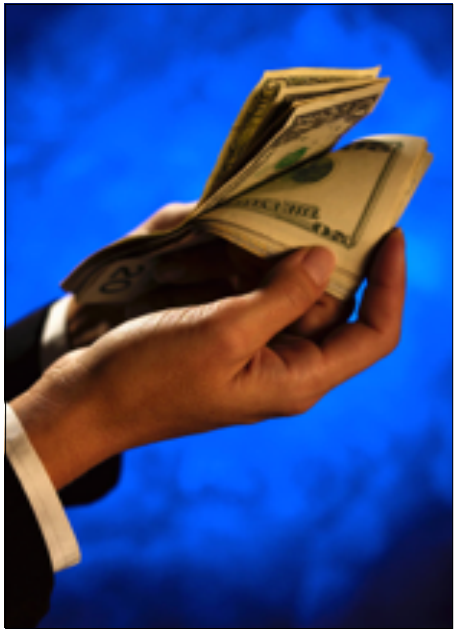
c. 100 .0% **TSP Monthly Payments** → Tell us how to pay your monthly payments:

100 % (Total a, b, and c)

$ ___ , 750 .00 per month ($25.00 or more)

OR

☐ Compute my payments based on my life expectancy.



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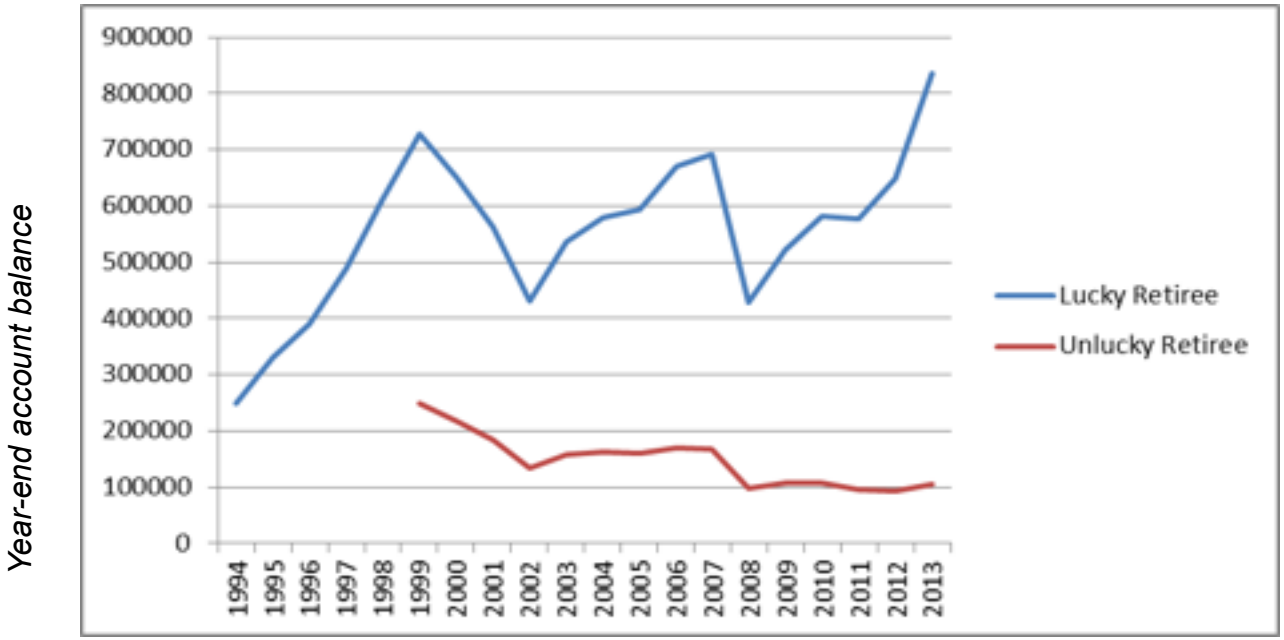
Timing is Everything

Simple “rule of thumb” income strategies may not manage risk sufficiently



The so-called “4% rule” can produce vastly different outcomes depending on the timing of market returns

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Monthly Payments

- Life expectancy option
  - Payments are computed by TSP
  - Amount automatically adjusts annually

IV. WITHDRAWAL ELECTION — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. [ ][ ][ ] .0% **Single Payment**

b. [ ][ ][ ] .0% **Life Annuity** (Must equal $3,500 or more. Also complete Page 6.)

c. [100] .0% **TSP Monthly Payments** → Tell us how to pay your monthly payments:

100 % (Total a, b, and c)

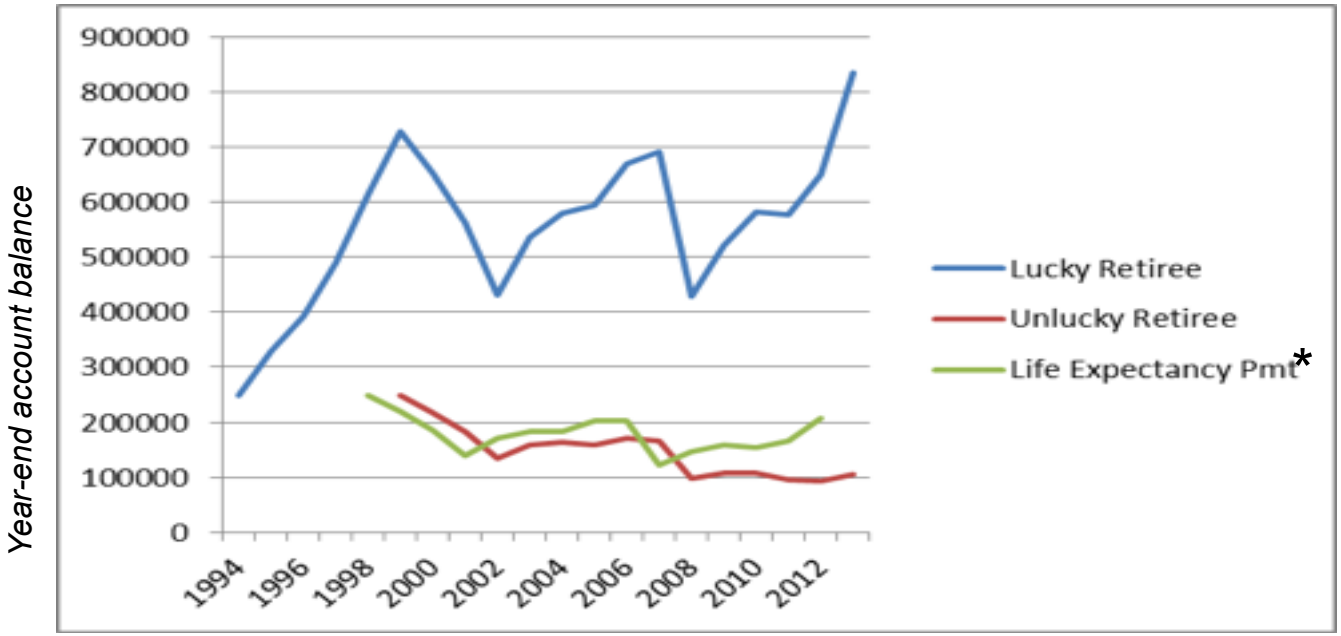
$ [ ][ ], [ ][ ][ ] .00 per month ($25.00 or more)

OR

[X] Compute my payments based on my life expectancy.

Life Expectancy Payments

Annually adjusted payments reduce the risk of running out of money



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Life Annuity

- Provides steady lifetime income
- Funds are transferred from TSP to the annuity provider, and benefits are "locked in" when request is processed

IV. WITHDRAWAL ELECTION — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment or choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. [ ][ ][ ].0% Single Payment

b. [100].0% Life Annuity (Must equal $3,500 or more. Also complete Page 6.)

c. [ ][ ][ ].0% TSP Monthly Payments → Tell us how to pay your monthly payments:

100 % (Total a, b, and c)

$ [ ][ ],[ ][ ][ ].00 per month ($25.00 or more)

OR

☐ Compute my payments based on my life expectancy.

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Mixed Withdrawals

IV. WITHDRAWAL ELECTION — This section is required. Choose one or more methods. Indicate percentages in whole numbers. If choosing monthly payments, include the dollar amount of each payment **or** choose to have the TSP compute your payments based on your life expectancy.

23. I would like to withdraw my entire account balance as follows:

a. 10.0% **Single Payment**

b. 20.0% **Life Annuity** (Must equal $3,500 or more. Also complete Page 6.)

c. 70.0% **TSP Monthly Payments** → Tell us how to pay your monthly payments:

100 % **(Total a, b, and c)**

$ ___,___.00 per month ($25.00 or more)

OR

[X] Compute my payments based on my life expectancy.

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Beneficiary Designations

Form TSP -3 to Name Beneficiaries

If no TSP-3 on file at death, TSP is distributed according to Order of Precedence

* To widow or widower
* If none, to child or children equally and to descendants of deceased children by representation
* If none, to parents equally or to the surviving parent

TO CUT COSTS
WE HAVE MOVED
THE CLINIC
TO CHINA.
PLEASE TAKE A
TICKET FOR YOUR
FLIGHT COUPON.

Costs - Premiums

2015 premiums averaged a 3.4% increase from 2014 premiums

Premiums are available for Self and Self & Family

OPEN SEASON 2016 - Self + One becomes available (November 2015)

The government pays the lesser of:

72% of the average total premium of all plans weighted by the number of enrollees in each

OR

75% of the premium for the specific plan you choose

Health Insurance - FEHB

While employed, premiums are paid using premium conversion provision – paid with pre-tax dollars. Retirees cannot participate in premium conversion.

FEHB continues into retirement if you :

- Were insured on your retirement date
- Retired on an immediate annuity
- Were enrolled or covered as a family member for the 5 years immediately preceding retirement or since first opportunity to enroll

Open Season

From 2nd Monday in November to 2nd Monday in December, you can:

- Enroll in, change or cancel an existing enrollment in a health plan under the FEHB Program.
- Enroll in, change, or cancel an existing enrollment in a dental plan.
- Enroll in, change, or cancel an existing enrollment in a vision plan.
- Enroll in a flexible savings account (health care or dependent care). You must re-enroll each year.

Ground Rules

- No pre-existing condition clause.
- All plans provide coverage against catastrophic medical costs, but there are differences of almost $10,000 in limits from best to worst. It pays to understand what's included in the out-of-pocket limit.
- No re-enrollment to stay in same plan.
- Must re-enroll in a flexible savings account (health care or dependent care) each year.

How Does the Affordable Care Act Affect Your FEHB?

Children up to the age of 26 can be covered under their parent's plan.

Flexible Spending Accounts contributions are limited to $2,500/year for medical expenses.

Flexible Spending Accounts may not be used to purchase over-the-counter medications.

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Insider Secrets to Getting the Most from Your FEHB

1. **Before you pick your plan, assess your own health needs.**

A. What types of procedures do you need covered by insurance. Evaluate your medical expenses from the previous year and consider upcoming health needs for you and your dependents.

B. What are your health care priorities? Once you know your priorities concerning costs, coverage, and convenience of health care, the field of choices begins to narrow.

C. How much can you afford? Saving money is one thing, but that doesn't necessarily equate to selecting the cheapest plan.

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Insider Secrets to Getting the Most from Your FEHB

2. **Talk to your doctor's office.**

A. While you may understand your body best, your doctor can provide key insights into any upcoming procedures or prescriptions.

B. What plans are your providers with? It's more important to select your doctor first and plan second based on your doctor's network.

Insider Secrets to Getting the Most from Your FEHB

3. **Know your age bracket.**

A. Young and single - you may want to consider an inexpensive plan that will at least cover annual exams. An HMO or a HDHP may be a good alternative for you.

B. Couples with kids - your decision will center around pregnancy and child healthcare. Some FEHB plans provide special benefits for pregnancy that include maternity care, before, after and during delivery.

C. Those nearing retirement - as you near age 65, you'll want to give serious consideration to how your FEHB interacts with Medicare.

Insider Secrets to Getting the Most from Your FEHB

4. **Don't let bureaucratic language scare you.**

Only 9% of FEHB participants change plans in any given year. Plan documents can be daunting and comparing plans can seem next to impossible. Take the time to look into your benefits which can save you money and heartache in the long run.

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Demystifying FEHB

1. Coverage
2. Cost
3. Choice
4. Convenience

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Health Insurance - FEHB

Choosing Your Plan -

Health Maintenance Organization "HMO" – Choose a primary care physician (PCP) from a list of member physicians. The PCP provides general medical care and must provide a referral to see a specialist (who must also be part of the HMO).

No coverage for out-of-network care (except emergencies)

Typically, no deductibles but members often pay a co-payment for care.

Health Insurance - FEHB

Choosing Your Plan - Regional

Preferred Provider Organization "PPO" –

Do not have to choose a primary care physician and can refer themselves to specialists.

Do not have to stay within network, but there is a financial incentive to do so.

Typically, deductibles are required before benefits begin and can also include co-payments that are larger than HMOs.

Health Insurance - FEHB

Choosing Your Plan - National

Fee-for-service "FFS" w/PPO–

You must use the plan's network to reduce your out-of-pocket costs.

Not using PPO providers means only some of your claims will be paid.

FEHB–Fee-for Service Providers

APWU Health Plan

Blue Cross/Blue Shield Service Benefit Plan

GEHA Benefit Plan

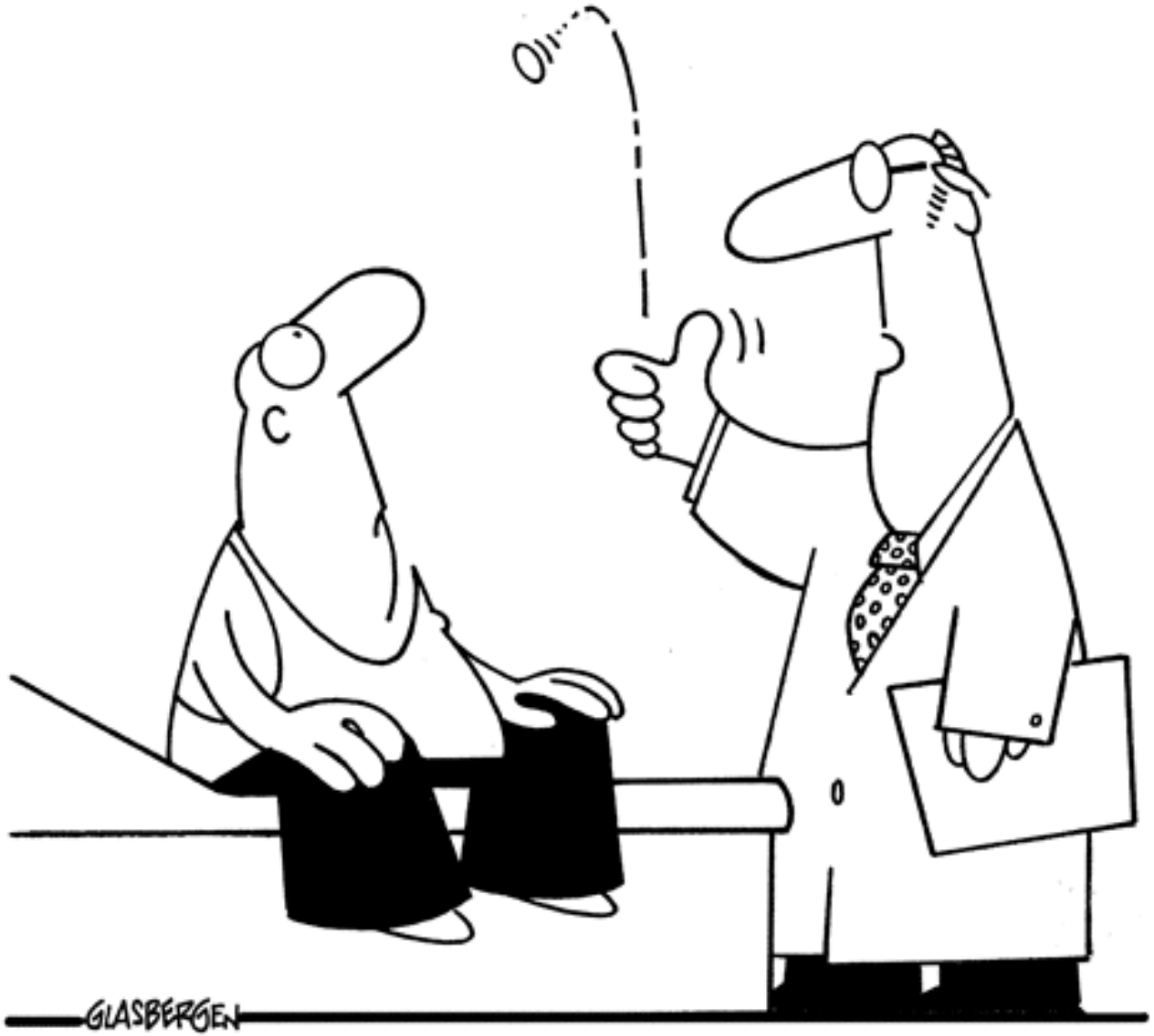
Mail Handlers Benefit Plan

NALC

SAMBA

Health Care Resources

- www.guidetohealthplans.org – non-profit organization that provides comparative information on current federal health plans – Check to see if your agency has paid for **Consumer's Checkbook**
- www.plansmartchoice.com – non-profit organization that provides comparison tool for federal plans



**"Heads, you get a quadruple bypass.
Tails, you take a baby aspirin."**

Making FEDVIP Work for You

Eligibility:

FEDVIP provides dental and vision benefits to federal and postal employees, retirees, annuitants, and qualifying family members. You must qualify for the FEHB program (you do not have to be enrolled).

Qualifying family members include spouses and unmarried dependent children under age 22. Coverage may extend to children over age 22 with disabilities.

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Making FEDVIP Work for You

Plans and Options:

Six national dental plans:

Aetna
Delta
FEP Blue
GEHA
MetLife
United Concordia

One regional dental plan:

Humana Dental

Making FEDVIP Work for You

Plans and Options:

Four national vision plans:

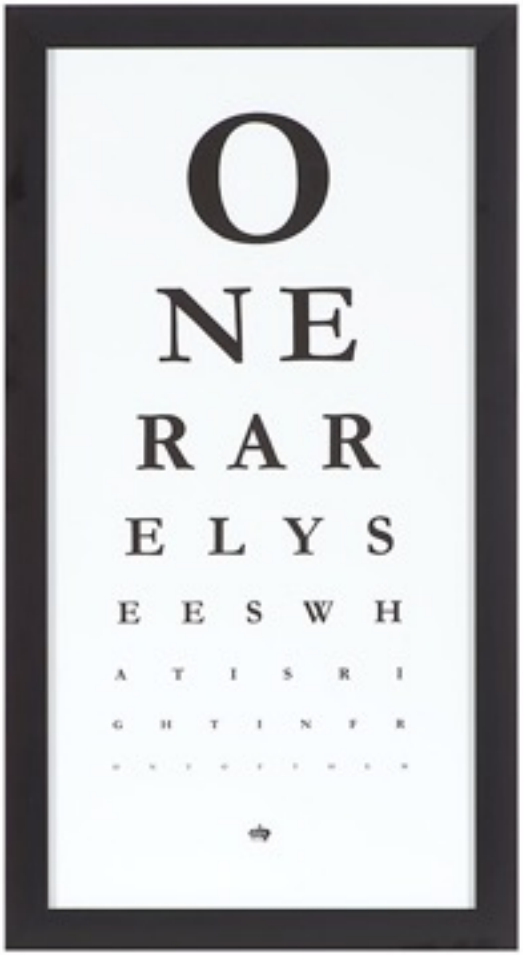
Aetna Vision
FEP Blue Vision
United Healthcare Vision Plan
Vision Service Plan (VSP)

Making FEDVIP Work for You

Plans and Options:

Three options for coverage:

Self Only
Self Plus One
Self and Family



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Getting Started in FEDVIP

1. Do you need separate dental and/or vision insurance?
2. Who and what do you need covered?
3. Does location matter?
4. Do costs play a factor?

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Flexible Spending Account "FSA" - Flexible Ways to Afford Healthcare

FSAFEDS administers the FSA which allows you to set aside a portion of earnings to pay for qualified medical expenses. You are able to save on a wide variety of medical, dental, vision and daycare expenses.

For 2015, contribution limit is $2,550 which is NOT a household maximum.

Flexible Spending Account "FSA" - Flexible Ways to Afford Healthcare

Calculating How Much to Save in Your FSA

1. Look backwards - look over your healthcare receipts from last year.
2. Think forward - look ahead, too. If you know for certain you're having surgery not covered by insurance, take that into account.
3. Add it up - put those costs together to get relatively close to how much you will likely spend next year.

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Qualified Medical Expenses for FSA Must Be:

Rendered by a health care professional appropriately licensed or certified in the state in which he or she practices; AND

Performed within the scope of the health care professional's license

Qualified Expenses Include:

Dental treatments

Prescriptions

Eye exams, glasses and contacts

Acne treatments

Immunizations

Out-of-pocket expenses

Over-the-counter drugs (w/ prescription)

Acupuncture

Chiropractors

www.fsafeds.com/fsafeds/eligibleexpenses.asp

TriCare and FEHB

If you are covered under TriCare while employed with the federal government, that coverage counts toward the 5-year requirement to take FEHB into retirement.

- You must be enrolled at retirement (you would enroll 1 full year prior)
- You can suspend your FEHB coverage and use TriCare
- You can suspend TriCare and use FEHB
- Provides more options, coverage choices nationwide

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Medicare

Part A – Hospitalization

Deductible - $1,216*

Pay 1.45% of pay while working

Free at age 65

Part B – Medical Expenses

Deductible $147* +20% after deductible

Pay $104.90/mo* with MAGI under $85,000

Pay $319.70/mo* with MAGI over $214,000

Part C - Medicare Advantage (HMO)

Part D – Prescription Drug Plan

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Medicare

Enrollment:

Age 65 – Part A - within 7-month window of birthdate
Part B – within 7-month window of birthdate if retired otherwise within 8 months after retirement

General enrollment is from January 1 to March 31 each year. Penalty for not enrolling "on time" is 10% for each 12 months late.

Medicare

Do you need Part B?

Most federal employees use their FEHB as a Part B replacement. You can have both, but you will be paying not only your portion of the FEHB but the Medicare premiums, as well.

Medicare becomes the primary payor and your FEHB acts as a supplement in this case.

FEGLI

Basic coverage – Current salary rounded to the nearest thousand + $2,000
Costs .15/thousand = employee share
Federal government picks up 1/3 of premium

Option A - $10,000
Must have Basic coverage to participate
Costs increase from $.30 - $6.00 from age 35 to age 60

Option B – Current salary rounded to the nearest thousand in multiples from 1-5
Must have Basic coverage to participate Costs increase dramatically at age 55 and beyond

FEGLI

Age Band	* Premium/$1000/ Month
For persons ages 35 and under	$0.043
For persons ages 35 through 39	$0.065
For persons ages 40 through 44	$0.108
For persons ages 45 through 49	$0.173
For persons ages 50 through 54	$0.282
For persons ages 55 through 59	$0.498
For persons ages 60 through 64	$1.127
For persons ages 65 through 69	$1.343
For persons ages 70 through 74	$2.47
For persons ages 75 through 79	$3.90
For persons ages 80 & Over	$5.20

FEGLI

Option C– For spouse and minor children

Spouse = $5,000 in multiples of 1-5

Children - = $2,500 in multiples of 1-5

Children covered until age 22 unless disabled

Costs increase from $.27 to $3.00 from age 35 to age 60

In retirement – you choose how much of the benefits to keep.

FEGLI

At retirement, most federal employees choose to keep their Basic coverage with a 75% reduction and eliminate their other coverages. This reduces or eliminates the cost at age 65.

To compare coverage and premiums:

www.opm.gov/calculator/worksheet.asp

FLTCIP 2.0
Federal Long-term Care

The Federal Long Term Care Insurance Program™

- Original coverage was established in 2002 as a partnership between John Hancock and MetLife – managed by LTC Partners
- John Hancock awarded next 7-year contract beginning October 1, 2009 – still managed by LTC Partners

FLTCIP 2.0
Federal Long-term Care

The Federal Long Term Care Insurance Program™

Available for current federal employees, their spouses/ same-sex partners

Access to limited underwriting during Open Season

FLTCIP 2.0
Federal Long-term Care

The Federal Long Term Care Insurance Program™

You make four choices in creating your coverage:

How much? $50 - $500/day

How long? 2 years, 3 years, 5 years or lifetime

Inflation? 4% compound, 5% compound or future purchase

Deductible? 90 days

FLTCIP 2.0
Federal Long-term Care

The Federal Long Term Care Insurance Program™

All tax-qualified plans:

Pay non-taxable benefits directly to you

Start payments when you cannot perform 2 out of 6 activities of daily living (certified by your physician) or cognitive impairment

Provide for the deductibility of premium payments under certain conditions

To calculate premiums or apply for coverage:

www.ltcfeds.com

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Taxes While Working

- Your current W-4 dictates withholding from your salary
- Contributions to Thrift Savings Plan reduce taxable income
- Unused annual leave is paid in a lump sum and taxes withheld at the higher lump sum rates (currently ~39.6% + 6.2% FICA + 1.45% Medicare + 4.63% Colorado state tax!)

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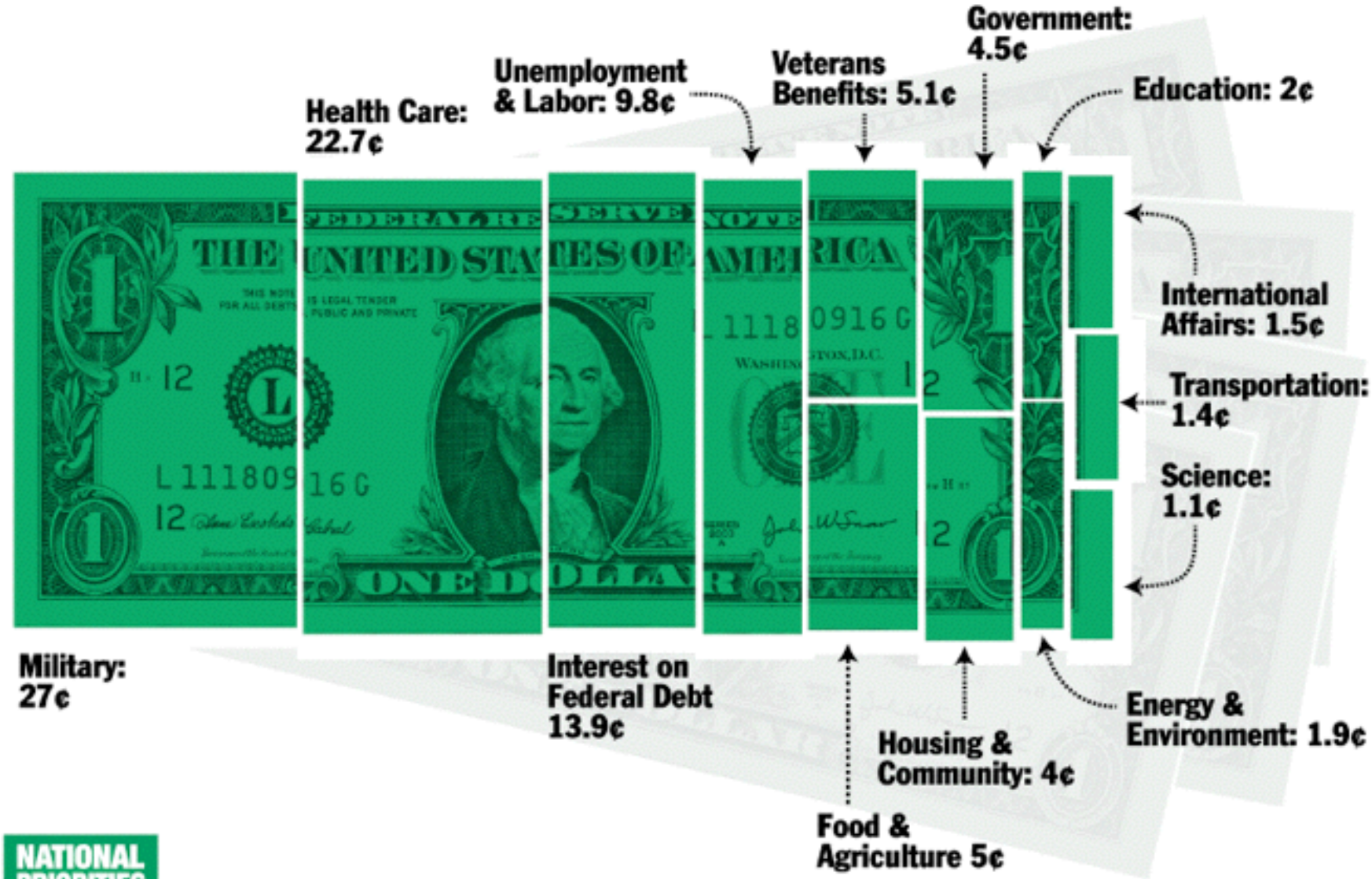
Where Your 2014 Tax Dollar Went

NATIONAL PRIORITIES PROJECT

nationalpriorities.org

Where Your 2013 Tax Dollar Went



NATIONAL PRIORITIES PROJECT 30th ANNIVERSARY

nationalpriorities.org

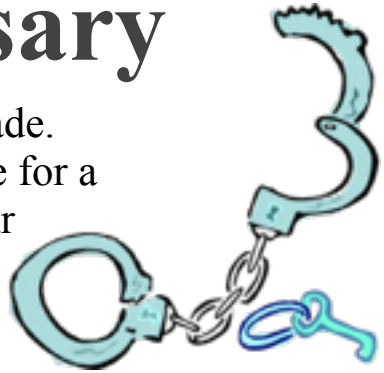
Taxes In Retirement

At retirement, you will complete a new W-4P for withholding from your federal annuity

You will elect your state withholding online *after* your retirement claim has been finalized

Unused annual leave is paid in a lump sum and withheld at the higher lump sum rates

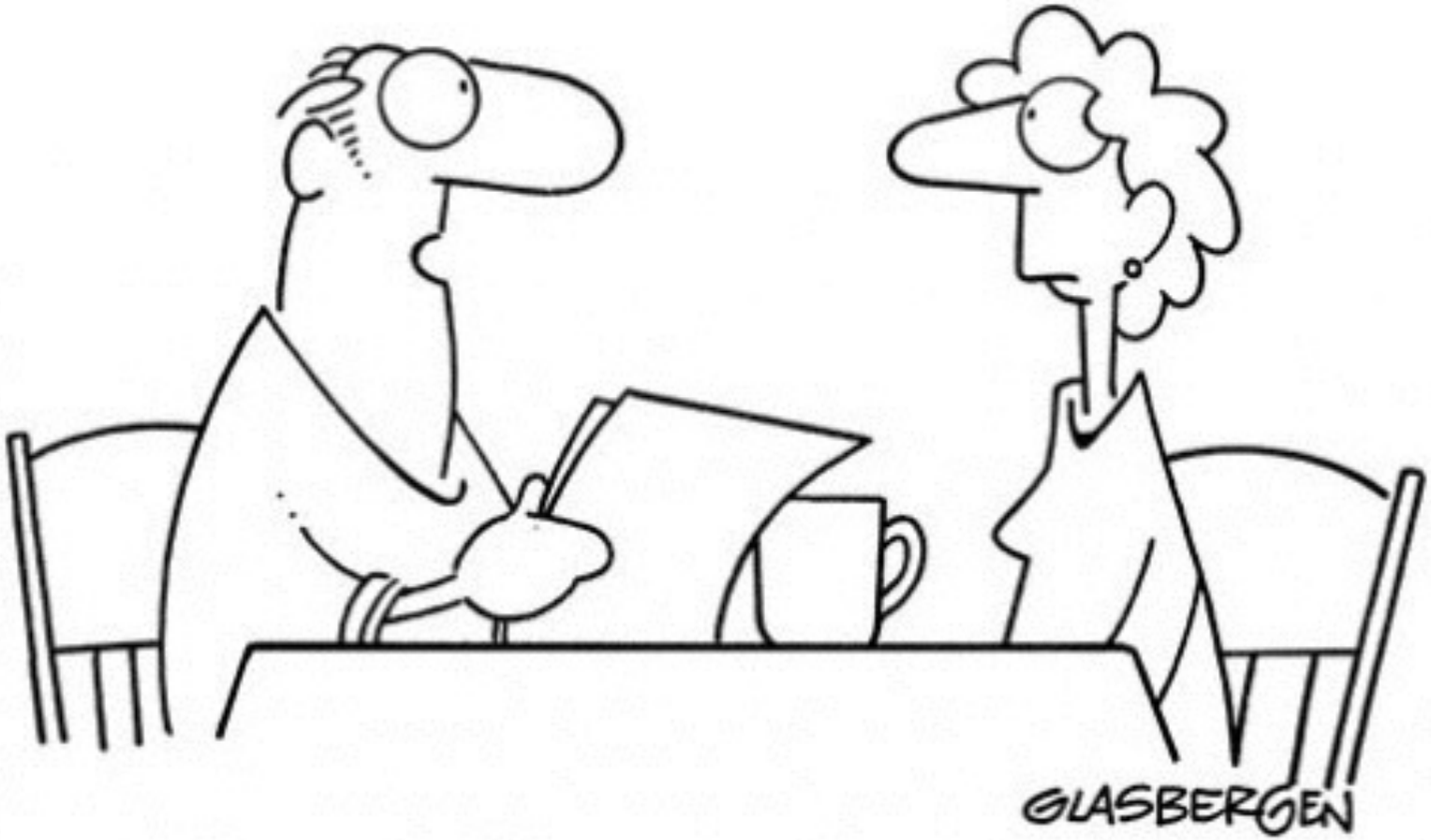
The Magic Eligibility Anniversary



Once you become eligible to retire, there aren't a lot of major changes to be made. It's all about planning for the date and making sure all of the pieces are in place for a successful retirement. By this time, you may have paid off your home, put your children through college and be thinking more about where to retire than how.

Here are some things to look at during the final phase of your federal career:

- Understand the impact your Thrift Savings Plan will have on your retirement income. You are only allowed two withdrawals from the TSP, so you'll want to have a strategy for exactly how and when you'll withdraw funds from the TSP.
- Consider meeting with a financial adviser to have estimates run for your pension to compare with the estimate you receive from human resources. The human resources estimate will be used by OPM to calculate your interim pension amount until your retirement claim is adjudicated.
- Review your beneficiary designation forms. These include life insurance, TSP, and FERS retirement.
- Analyze your options for survivor benefits if you are married. In order to maintain federal employees health benefits if you pass away, your spouse must be covered by at least a minimum survivor benefit AND be covered by your FEHB when you die.
- Consider your need for health insurance in retirement. You will have the opportunity to change plans each Open Season, but if you're married, you want to be sure you've covered your spouse to ensure access to FEHB in case of your death.
- If you owe a re-deposit for refunds withdrawn from the retirement system that has not been repaid, expect a delay in the finalization of your retirement claim. OPM will offer you the opportunity to repay these funds before adjudicating your claim.
- If you have prior military service, make sure you have paid the deposit to allow you to count those years.
- Determine how much of your FEGLI you need to keep in retirement. By this time, you may have less need for ongoing life insurance coverage. While you do not want to pay for more coverage than you need, you want to be sure you protect your family.
- Consider changing the number of exemptions for withholding prior to your last paycheck to avoid over-withholding from your lump-sum annual leave payment.



"Here's our retirement plan: at age 65, we'll get divorced then marry other people who planned better."

Ann Vanderslice is a registered representative of Cabot Lodge Securities, LLC and an Individual Advisory Representative of CL Wealth Management. Ann Vanderslice, Retirement Planning Strategies, and Cabot Lodge Securities, LLC and Cabot Lodge Wealth Management are unaffiliated entities