

S.O.S. NEWSLETTER

SERVICE OFFICERS FOR SERVICE

SERVICE OFFICER NEWSLETTER

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MAY 2016

EDITORS COMMENTS

The year is going by quickly and my added duties as Secretary for the California Federation of Chapters are taking more time than expected. I am working hard to keep up with all of my responsibilities which includes the publication of this Newsletter for Service Officers.

There is going to be some changes which will help me keep up with Service Officer Needs. There is going to be a check with all Service Officers by our Service Committee members. The goal is to find out those Service Officer who have computers, those who are active and the type of activities they are regularly involved in during each month.

I will use the information to establish training needs. I need to find out what Service Officers want in the way of Training. I am also interested in how many Service Officers plan to attend the National Convention in Reno in August or the Federation Convention in Reno in 2017.

Service Officers should continue making their presence known at regular NARFE Chapter meetings. Make sure your members know of the services you can provide by making presentations to your branch and providing Service information in your Newsletters. You should review the Directory of Topics for such information.

Even though I have additional Federation duties, I am still available for questions by phone.

Mary Venerable
Chair, Service Committee

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NARFE SERVICE CENTERS IN
STATE OF CALIFORNIA

1 – CSFC District III, NARFE Service Center, Residence – 12736 Hideaway Lake Rd., Valley Center, CA. (909) 437-3250 – Vaudis Pennell - By Appointment, Vaudis.pennell@gmail.com

4 – CSFC District VII, NARFE Service Center, Vallejo, Ca. (707) 552-2546 Gordon Triemert, - By Phone – 946 Heartwood Ave., Vallejo, CA 94591 jay94591@yahoo.com

#12 – CSFC District 1, Oceanside Senior Center, 455 Country Club Lane, Oceanside, CA. 92054 – (760)-499-8933 Marcy Rose, (760) 722-5309 By Phone or Appt. marcyrose@aol.com

#21 – CSFC District I, Service by phone (619) 460-7992 – William Doll – after 9 a.m. imadoll@earthlink.net

35 – CSFC District IX, Residence of JoAnne Rowles 3916 Marilyn Place, Bakersfield, Ca. 93309-5924 (661) 833-1647– By Appt. jrowles@bak.rr.com

#42 – CSFC District VII, Marie O’Hanlon, 2961 Jason Dr., Sana Rosa, CA 95405 (707) 578-0957

#55 – CSFC District VII, NARFE Service Center, 1524 Jefferson St., Napa, CA 94558 (707) 257-2228 – Mon-Sat By Appointment Only. Oliver (Rocky) E. Sheridan -830 Pueblo Ave., Napa, CA (707-226-5665

#78 – CSFC District IX, Charles Hedrick, (559)299-4207. Service provided by Phone.

#133 – CSFC District X, Service by Phone, Jean Stone, – (530) 222-2321 – logeneaa@netscape.net

#145 – CSFC District IX, Service Center at Naval Air Weapons Station, 1 Admin. Circle, Mail Stop 1323, China Lake, CA. – Eva Bien, 760-375-0978 Mon. – Friday from 9 to 11 a.m. & 1-3 p.m.

retiredactivities@mchsi.com

171 – CSFC District IX, Service by phone - Gerald Sprouse, 1650 Christina Ct., Paso Robles, CA. 93446 (805) 237-0051 Jerrysprouse@charter.net.

#202 – CSFC District I, Service Center at Norman P. Murray Com. & Senior Center, 24932 Veterans Way, Mission Viejo, CA. 92692, (949) 470-3063. 2nd & 4th Mondays 1 to 3 p.m.

Notice: For up-to-date information see the Federation’s website at www.CSFCnarfe.org. Please notify Vaudis Pennell of changes by calling (909) 437-3250 or E-mail at Vaudis.pennell@gmail.com

YOUR ATTENTION IS INVITED TO THE FOLLOWING WEBSITES OF INTEREST

NARFE National Office at <http://www.narfe.org>
Issues of all SOS Newsletters and a Directory of Topics are available on line on the NARFE California Federation’s Website in Publications at:

<http://www.csfcnarfe.org> Publications on FEGLI Life Insurance at: <http://www.opm.gov/insure/life/Index.htm>. Or (800) 633-4542

OPM Retirement at: www.opm.gov/retire for inquiries and changes.

Links to Forms (including interactive), Publications and NARFE Online Reports are found on the Leadership Home Page in the Left panel.

ELECTRONIC PAYMENT RULES

What changes have been regarding how federal benefits are being paid? The U.S. Department of the Treasury now requires all federal benefit and non-tax payments to be made electronically. (Non-tax payments include federal wage, retirement and vendor payments.) Electronic payments are safer, easier and more reliable than paper checks.

People applying for federal benefit payments must choose an electronic payment option at the time they apply for the benefit. People currently getting federal benefit checks must switch to electronic payments by **March 1, 2013**. The Treasury Department recommends **direct deposit** to a bank or credit union account or to a **Direct Express**[®] card account. People who do not choose an electronic payment option by March 1, 2013, or at the time they apply for benefits, will receive their federal benefit payments via the **Direct Express**[®] card, so they will not experience any interruption in payment. People who are already receiving their benefit payments electronically do not need to take action. They will continue to receive their payment as usual on the payment day.

These changes apply to federal benefit payments from the following federal benefit agencies:

Social Security Administration, including:

Social Security and Supplemental Security Income (SSI) payments
Veterans Affairs (VA)
Railroad Retirement Board
Office of Personnel Management
Department of Labor (Black Lung)

3. What are electronic payments? What is direct deposit?

Electronic payments, which allow for the exchange of funds through paperless methods, are safer, easier and more reliable than paper checks. **Direct deposit** is the electronic transfer of a payment from a company or organization into an individual's checking or savings account. When you get your federal benefit payment electronically, the U.S. Department of the Treasury sends an electronic message to your bank or credit union or **Direct Express**[®] card account crediting your account with the exact amount of your benefit. The difference is, your check isn't printed or mailed. The government and businesses use direct deposit to transfer millions of dollars every day. Your money is safe with direct deposit. To learn more about direct deposit, you can talk to your local bank or credit union.

4. Is there an option for federal benefit check recipients who don't have a bank account?

Yes. The **Direct Express**[®] card is a safe, no- or low-cost electronic alternative. No bank or credit union account or credit check is required to enroll. Cardholders can make purchases, pay bills and get cash. This also is an option for those who prefer a prepaid debit card recommended by the U.S. Department of the Treasury. Many other card services are free, including:

- Purchases at retail locations
- Cash back at retailers at the point of sale
- Optional notification of deposits to your debit card account by phone, email or text message
- Optional low-balance alert when your account balance falls below a certain level
- Balance inquiries at ATMs, by phone or online

- Access to the toll-free customer service number or website 24 hours a day, seven days a week

One (1) ATM cash withdrawal in the United States for each deposit posted to your account ([see Fee Table for details](#)). ATM owner surcharges may apply at ATMs outside the **Direct Express**[®] card surcharge free network ([see Fee Tables and surcharge free network for details](#)).

5. How do people sign up for or switch to electronic payments of their federal benefits?

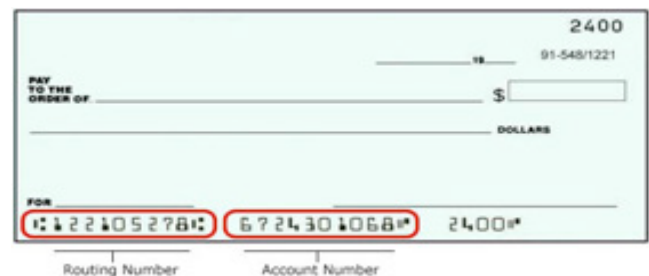
People applying for federal benefits should be ready to sign up for direct deposit when they apply for federal benefits and understand what information they should have on-hand to sign up. This will ensure they get their benefit payments in the safest, most reliable way possible.

To get benefit payments by **direct deposit** into an existing financial institution account, people should be prepared with the following information for a smooth enrollment:

Account type: checking or savings

Account number

Financial institution's routing number



To sign up for the **Direct Express**[®] card, people should notify their federal benefit agency at the time of enrollment. Once approved for federal benefits, they will receive their **Direct Express**[®] card and an information packet in the mail.

People, who currently receive federal benefits by paper check, should make the

switch today to get their money a safer, more reliable way immediately.

If the benefit recipient has a bank or credit union account, he/she should sign up for **direct**

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deposit online, or by calling (800) 333-1795, or visiting their local bank/credit union branch or federal benefit agency office.

Those who prefer a prepaid debit card can sign up for the **Direct Express**[®] card by calling toll-free (800) 333-1795, [signing up online](#), or contacting their local federal benefit agency office. No bank account is required to sign up for the card.

6. What happens if people do not sign up for an electronic payment option?

People who do not choose an electronic payment option by **March 1, 2013** will receive their payments via the **Direct Express**[®] card so they will not experience any interruption in payment.

How to Get Your Retiree ID

OPM recently added a new item to its Retirement Services Online miscellaneous functions that allows users to view and print a "Retirement Services Reference Card", which can be used as a federal annuitant ID card. The front shows the OPM logo and the retiree's name and CSA Claim number. On the back is contact information for OPM's retirement information offices.

To print the card, go to www.serviceonline.opm.gov. Be sure you to have your CSA claim number handy, along with your Service Online password. If you have trouble accessing Services on-line, contact the OPM Retirement Service Center at 555-707-6738. Receiving this card by mail is not mentioned as an option.

HOW TO CANCEL MEDICARE PART A

Question: I want to cancel my Medicare Part A enrollment. What form do I need to complete?

Answer: Here is the guidance from Social Security on canceling your Part A enrollment along with a warning. If you withdraw your Medicare Part coverage, you must repay all Medicare Part A benefits paid on your behalf. Medicare Part A is hospital insurance, which covers such things as inpatient hospital stays, care in a skilled nursing facility, hospice care. Most people get Part A premium –free. You don't pay a monthly premium for Medicare Part A coverage if you or your spouse paid Medicare taxes while working.

To cancel Medicare Part A, you must fill out Social Security Form – SSA-521 and include the reason why you want to withdraw your application for benefits or cancel your existing benefits. Send Social Security the completed form. It will notify you of the amount of benefits you need to repay and when there is a decision on your withdrawal request.

If you change your mind after getting approval, you have 60 days to cancel an approval withdrawal. After that, you will lose any entitlement for the period covered by your application.

If you want to keep your Part A benefit and just terminate your Medicare Part B coverage, you cannot use Form SSA-521. See also Q&A pg 17 in the Retirement Magazine dated March 2014

Direct Deposit Form

Question:
I am helping my mom change the direct deposit for her annuity. I see that I should complete form SF-1199A, which is very complicated. I was wondering if you could answer some questions for me regarding the form.

Answer. The Office of Personnel Management (OPM) has a very short form to make a direct deposit. You mother enters her name and CSA number on the form. Her bank completes the remaining portion of the form with the specific numbers for her account.

Since you have email, we will send you a link to the form. RI-38-128, which appears on the OPM website, www.opm.gov, under Forms. OPM provides a number where you may fax the completed form to them. Most banks will fax the forms to OPM for you using the fax number on the first page of the form.

FEHBP PRE TAX INFO

Question – I am in the process of doing my taxes and want to know if Federal Employee Health Benefits Program premiums are paid on a pretax basis?

Answer - Premiums are paid on pretax basis (premium conversion) if you are an active employee and your salary is sufficient to make the premium withholding. Pretax premiums are not available to annuitants, survivor annuitants or individuals

The following is special information Service Officers should be aware of:

TO OBTAIN AN ANSWER TO A FEDERAL BENEFITS QUESTION, NARFE MEMBERS SHOULD CALL (703)-838-7760 AND ASK FOR THE Federal Benefits Service Department; or send your question by postal mail to NARFE Headquarters, ATTN: Federal Benefits; or submit by your email to: fedbenefits@narfe.org

The Retirement Services toll free number, 888-767-6738, is experiencing higher than normal call volumes, resulting in callers receiving a busy signal or experiencing long wait times. If you need to contact Retirement Services to perform one of the following transactions, please go to <https://www.servicesonline.opm.gov/>.

- * View/Print 1099-R Tax Forms
- * Change Federal and State Income Tax Withholding
- * View/Print Annuity Statement/Verification of Income
- * View/Print a Year-to-Date Summary

of Payments

- * View/Print Verification of Life Insurance (FEGLI)
- * Report a Missing Annuity Payment
- * **Report an Annuitant's Death**
- * **Change Mailing Address**
- * **Change SOL Password**
- * **View the Status of Case while in Interim Pay**
- * **Establish an Allotment to an Organization**
- * **Request Duplicate Annuity Booklet**

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- * **Set up a Checking or Savings Allotment**
- * **Sign up for Direct Deposit of Annuity Payment**
- * **Update Email Address/Opt-in to Receive Information Electronically**
- * **View/Print Retirement Services Reference Card (ID card)**

- * **Receiving benefits under the Federal Employees' Compensation.**

How much FEGLI life insurance coverage Do I have?

OPM's Retirement Office is the only office with access to your FEGLI life insurance records. There are three ways to access your FEGLI coverage information:

1. Log on to Retirement Services Online to view and print a Verification of Life Insurance (VOLI). Your VOLI will show which types of FEGLI coverage you have, your amount of coverage before reduction, your post-65 reductions, and your amount of coverage after reductions complete.
2. Email retire@opm.gov to request that your VOLI be mailed to you. Be sure to include your retirement claim number (CSA/CSF) in your email.
3. Call 1-888-767-6738 to request that your VOLI be mailed to you. The phone lines are open Monday through Friday 7:40 am to 5:00

pm eastern time. The phone lines can get extremely busy so we recommend calling early in the morning or late in the evening when the lines are less busy. Have your retirement claim number (CSA/CSF) or social security number handy.

Your FEGLI beneficiary records are not available online. If you wish to change your FEGLI life insurance beneficiaries, complete this form and mail it to OPM's Retirement Office (See www.opm.gov/forms)

If you are a Federal EMPLOYEE:

Contact your human resources office. The office that maintains your Official Personnel Folder (OPF) or its equivalent is the only office with access to your FEGLI life insurance records. If you do not know what office that is or how to contact them, check with your supervisor. *You can also look on a copy of your most recent Standard Form 50, Notification of Personnel Action, to determine the coverage you currently have:*

1. *In Block 27 on that form, there is a 2-character code that represents your current coverage and a definition of the code.*
2. *You can look up the codes and their translation at <http://archive.opm.gov/insure/life/reference/handbook/sf50tbl.asp>*
3. *You can then use the [FEGLI Calculator](#) to determine the current value of your FEGLI by inputting your current age, salary and type(s) of FEGLI coverage.*

If you wish to change your FEGLI life insurance beneficiaries, complete this form and submit it to your human resources office
www.opm.gov/forms/pdf_fill/sf2823.pdf

Suspending FEHBP for Tricare for Life

Question: I am a retired federal employee and now a retire-military officer. It is true that I can suspend my Federal employee Health Benefits Program (FEHBP) enrollment

for significant savings for my wife and me with TRICARE for Life?

Answer: Yes, you can suspend your FEHBP enrollment if you are enrolled in TRICARE OR TRICARE for Life. TRI-CARE for Life provides expanded medical insurance coverage to Medicare-eligible uniformed service retiree age 65 or older, to their eligible family members and survivors, and to certain former spouses.

You must enroll in Medicare Part A and Medicare Part B to get TRICARE for Life Benefits.

Medicare's Late Enrollment Penalty

Question: I received notice of my Part B premium and, by my calculation; this amount includes an 80 percent late enrollment fee. I understood that I would not be subject to the late enrollment fee because I have maintained continuous health insurance coverage under the Federal Employee Health Benefits Program (FEHBP). Since I was too young to qualify for Medicare at my retirement, I thought the exception to the late enrollment fee would apply. If I am eligible for the exception, what steps should I take to get this situation rectified?

Answer.

Under the Social Security law, if you are age 65 and delayed enrolling in Medicare Part B, you will be subject to a 10 percent surcharge for every 12 months you were not enrolled in Part B and could have been. One of the exceptions to this penalty says that if you are covered as an employee by an employer's group health plan or covered as a dependent under an employed spouse's employee sponsored group health plan, you will not be subject to the 10% penalty until either you retire or your spouse retires. You then will have an eight-month special enrollment period to enroll in Medicare Part B without being subject to the late enrollment penalty.

If you are a retired federal employee and have continued health insurance coverage under the FEHBP, you are still subject to the late

enrollment penalty if you did not sign up for Part B when you were first eligible. As a retiree, you are no longer considered to be an employee covered by an employer group health plan but are now covered as a retiree by a retirement system group health plan.

For more information, see the “2016 Medicare and You” booklet regarding the late enrollment penalty and special enrollment period for Part B. Medicare sends this booklet (electronically or by postal mail) to all Medicare households each September. The 2016 version is available at www.medicare.gov/pubs/pdf/10050.pdf.

OPM Wants To Expand FEHB

OPM is seeking to expand some FEHB benefits while again emphasizing cost-reduction steps such as wellness programs, controls over prescription medicine costs, and better coordination with Medicare for enrollees also in that program.

The annual “call letter” in which OPM outlines the coverage features it wants for the following year tells carriers: to cover applied behavior analysis for treatment of Autism Spectrum Disorder; to reduce the use of out-of-network services within network hospitals at increased costs; to continue to focus on financial and other incentives for enrollees to participate in wellness programs; and to propose changes for enrollees with both FEHB and Medicare coverage such as reduced cost sharing and improved coordination of pharmacy benefits.

It also encourages them to begin or increase access to “telemedicine” virtual visits and to hospice and advance care planning for those critically ill.

Carriers will need to have in place strategies to manage high-cost prescription drugs and they were strongly encouraged to exclude drugs “that do not provide additional clinical value, or are less safe than other drugs for the same indication.” However, they also are to assure that those with chronic conditions “will have access to safe, clinically appropriate, and affordable prescription drug choices.”

OPM meanwhile encouraged carriers to improve access to drugs used to manage addictions. Several broader changes in the program that the administration raised in its recent budget plan would require legislation; there has been no movement on those ideas since they were first raised several years ago. These include allowing additional plan designs, purchasing of prescription drugs government-wide rather than by individual plan, and allowing plans to charge higher premiums to those who use tobacco or who don’t participate in wellness programs deemed appropriate for them.

Survivor Benefits

QUESTION: I am planning to marry a widow who is receiving a federal annuity based on her deceased husband’s federal employment. Would she lose her annuity and her insurance benefits if we marry? I also am a retired federal employee.

ANSWER: Survivor annuitants over age 55 may remarry and continue to receive the survivor benefit and any associated health benefits coverage. If she is over age 55, she needs only to notify the Office of Personnel Management (OPM) of her name change and/or new address so that her payments and correspondence will be correct. If she does change her name, she also would need a new Federal Employees Health Benefits Program identification card. Her health plan can take care of this at the same time.

13 Things You Should Know About Taxes and Federal Retirement --- By John Grobe

Tax time may have passed for most but the information is beneficial for next tax year.

1) Payroll taxes are not taken out of retirement income; only earned income. Therefore, you will not be paying

Social Security tax (6.2%) and Medicare tax (1.45%) from any of your retirement income.

2) Pension contributions are not taken out of retirement income. They are taken out of your federal salary if you are employed in a position covered by CSRS, FERS or one of the other federal retirement systems. FERS pension contributions are 0.8% for most employees and 1.3% for special category employees such as law enforcement officers, firefighters, etc. CSRS pension contributions are 7% for most employees and 7.5% for special category employees. CSRS Offset pension contributions are the same as for FERS employees. FERS employees hired after 01/01/2013 have larger pension contributions, but none of them will be retiring soon, so we will not deal with that here.

3) TSP deductions do not come out of retirement income either as retirees are not allowed to contribute to the Thrift Savings Plan.

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4) For federal income tax purposes all of our retirement income (pension, Social Security, TSP, IRAs, etc.) is taxed as ordinary income; that is, the percentage we pay in federal income tax is based on the marginal tax bracket where the income falls.

5) Your CSRS or FERS pension is not fully taxable as you contributed to your pension out of already taxed dollars. You will not be double taxed on your contributions. You will, however, be taxed on the government's untaxed contributions, as well as on the earnings that accrue on both your contributions and the government's contributions. How much does the government contribute towards your pension? For CSRS the government contributes as much as you do (7% or 7.5%). For CSRS Offset and FERS the government contributes at a different rate each year (based on Treasury returns). In 2015, the government contributed 13.2% and in 2016 they will contribute 13.7% for regular employees; special category employees have a larger share paid by the government. For tax purposes, you are viewed as recouping your already taxed contributions bit-by-bit over your life expectancy. This means that the vast majority of your pension will be subject to federal income tax.

The only thing that could be considered good news about this is that, for most retirees, OPM calculates how much is taxable and how much is viewed as a return of your already taxed contributions, and lists the amounts on the form 1099-R that they mail you each January. IRS **Publication 721** contains more than you want to know about the taxation of your federal pension. The amount of

your pension that is taxable is based on the amount of your contributions and upon your age at the time you retire.

Here's an example for an employee receiving \$35,000 per year in pension benefits who retired at the age of 57 and contributed \$50,000 towards his/her pension.

Total pension received	\$35,000
Total retirement contributions	\$50,000
Life expectancy in months (based on IRS life expectancy table in Publication 721)	360
Tax free amount per month (divide contributions by life expectancy in months)	\$138.89
Tax free amount per year (monthly figure x 12)	\$1,666.68
Taxable portion of pension (total pension minus annual tax free amount)	\$33,333.32

6) You elect how much you want to have withheld from your pension by filing form W4-P with your retirement papers. You can change withholding after retirement by requesting a change from OPM. Retirees should avail themselves of OPM's "Services Online" to make changes to withholding and other items.

7) Up to 85% of Social Security benefits can be taxed. The amount of your Social Security that can be taxed is based on your "provisional income." To determine your provisional income, you add together one-half of your Social Security, all of your taxable income and certain non-taxable income (e.g., tax-exempt income etc.). Your provisional income is compared with thresholds established for single and joint filers. These thresholds have never been indexed for inflation since they were established in 1983.

Single filing status thresholds:

- If the total of the above items is less than \$25,000, there will be no tax on SS benefits;
- If the total is between \$25,000 and \$34,000, up to 50% of SS will be taxable;

· If the total is over \$34,000, up to 85% of SS will be taxable. Joint filing status thresholds:

- If the total of the above items is less than \$32,000, there will be no tax on SS benefits;
- If the total is between \$32,000 and \$44,000, up to 50% of SS will be taxable;
- If the total is over \$44,000, up to 85% of SS will be taxable. I tell participants in the pre-retirement seminars that I conduct for my firm, Federal Career Experts, that most federal employees can count on having 85% of their Social Security benefits subject to federal income tax.

Agency Human Resources or Training staff can contact Federal Career Experts to find out more about our seminars.

8) Federal income taxes are not automatically withheld from your Social Security. If you want federal income taxes withheld from your Social Security, you have to request it. It is a good idea to have taxes withheld, as it helps you avoid a nasty surprise at tax time.

9) Withdrawals from a traditional TSP balance are fully taxable.

10) In most circumstances, you will pay no tax on withdrawals from your Roth TSP balance. You will never be taxed on the part of your Roth withdrawal that represents your contributions, as you contributed to the Roth out of already taxed dollars. You will not be taxed on the portion of your Roth withdrawal that represents earnings if your withdrawals are qualified. In order for a withdrawal to be considered qualified, you must be at least 59 ½ at the time of the withdrawal and you must have had a Roth balance in your TSP for at least five years. This means that a withdrawal from your Roth balance will not be considered qualified until at least 01/01/2017, and then only if you are over the age of 59 ½. This gets problematic for those who plan on retiring and withdrawing money from their TSP before they reach the age of 59 ½ as you are not allowed to separate withdrawals between your traditional and Roth TSP balances. Per IRS regulations, withdrawals within a defined contribution account must be taken proportionately from before and after tax money. The TSP could fix this by allowing us to have separate Traditional and Roth accounts, rather than having separate balances within one account.

11) As the TSP is a tax deferred employer retirement plan, there are penalties for taking money out too early, or too late. The 10% early withdrawal penalty will not apply to withdrawals from your Traditional TSP if you retire from your federal job in the year in which you turn 55, or later (50 for Law Enforcement Officers, Firefighters, Customs and Border Protection Officers and Air Traffic Controllers). It will also not apply to withdrawals taken by an individual who is totally and permanently disabled. Individuals who retire from their federal job before the year in which they turn 55 (50 for Law Enforcement Officers, Firefighters, Customs and Border Protection Officers and Air Traffic Controllers) can avoid the penalty if:

- They elect monthly payments based on the IRS life expectancy table and continue those payments for five years, or until they turn age 59 ½ whichever is longer; or
- They purchase a TSP annuity. Though most defined

contribution plans like the TSP have a 50% penalty for failing to take required minimum distributions beginning at the age of 70 ½, the TSP has provisions in place that shield almost all participants from the penalty. The penalty is 50% of the amount of money you should have taken out, but didn't.

- If you are still working at your federal job at 70 ½, you are not required to take a minimum distribution.
- If you are taking substantially equal monthly payments at 70 ½ (the most popular withdrawal choice of those who do not roll their TSP account into an IRA or other instrument) and fail to take out enough to meet the minimum required distribution, the TSP will send you an additional payment of the required amount before the end of the year.
- If you are not working and haven't begun withdrawals by 70 ½: o The TSP will notify you at the beginning of the year after the year in which you turned 70 1/2 that you must begin taking

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- o If you do not begin withdrawing the money by April 1, the TSP will transfer all your money into the G fund;
- o If you do not begin withdrawing your money within nine months, you forfeit your account. But don't panic, once you begin taking required minimum distributions and pay the penalties, the TSP "un-forfeits" your account.

12) Take care in setting up your TSP withholding. The default withholding amount depends on your withdrawal choice. A tax notice is updated annually and can be found in the "forms and publications" section of the TSP's website. The notice has a detailed table that describes how each type of withdrawal is treated for tax purposes (e.g., periodic payment, eligible rollover distribution, etc.) and what the default withholding rate is. The default withholding rate for most monthly payments is very low and will result in retirees who do not change it to owe taxes (and perhaps penalties) at tax time

13) Most states have income taxes. Some states with income taxes do not tax any retirement income. Some states with income taxes give retirement income preferential treatment.

Every year the National Active and Retired Federal Employees Association (NARFE) prepares a detailed list of how the various states tax federal retirement benefits. NARFE members can access that list on the NARFE website, or see in one of the spring issues of the NARFE magazine.

Kiplinger provided a "Retiree Tax Map" that covers all taxes that are of interest to retirees. John Grobe's latest book.

The Answer Book on Your Federal Employee Benefits, has been released by LRP Publications. The book is written in an easy to understand question and answer format and covers all areas of federal benefits from the perspective of an employee at various stages of their career. Order your copy at shoplrp.com © 2016 John Grobe. All rights reserved. This article may not be reproduced without express written consent from John Grobe.

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Retirees giving away retirement funds

Fewer than ever are worried about legacies

There's a new trend among retirees that could be costing them the comfortable retirements they probably dreamed of: giving away their money while they're still alive, instead of bequeathing it to heirs.

This so-called "**living inheritance**" trend, according to a report from HSBC Retirement titled "Future of Retirement: Choices for Later Life," indicates that more than 43 percent of retirees are providing regular financial support to at least one other person. Ten percent are supporting at least one adult child.

It's not just retirees; 62 percent of those still working are also providing regular support to at least one other person. And along with that has come a change in attitudes toward leaving **legacies**, likely out of necessity: 23 percent of working-age people said it was better to spend what they have while they're alive to enjoy it and leave it up to the kids to build their own financial security, and just 9 percent are

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Ireland continued, "A desire to support loved ones during your lifetime is of course understandable, but for many people this comes at a cost both to their retirement dreams and to their ability to leave a legacy."

That cost seems to be evident in the disconnect between people's attitudes about legacies and the fiscal reality. While 59 percent saying they expect to leave their kids a chunk of money when they die, only 31 percent say they've actually gotten one.

The scary thing about this is that many retirees are looking to the inheritance fairy to fund their own retirements. Twenty-nine percent of retirees who have either already been the recipients of a bequest or who expect to inherit money believe that it will pay either all or part of their expenses in retirement.

And almost half of those still in the workplace (49 percent) expect that they'll be named a beneficiary to a sum of money that will free them from worries about how to pay for their expenses as they age.

A quarter of retirees are worried about not being able to support their families or friends financially, while 23 percent are also afraid of themselves becoming dependent on family or friends for financial support. The research also indicated that 59 percent of retirees have had to abandon at least one of their retirement goals—something that is a distinct possibility for those who give it all away while they're still alive instead of through a will.

TOP 10 THINGS SPOUSE SHOULD KNOW ABOUT FEDERAL BENEFITS

BY Tommy Flanagan

(see Page 31 of April 2015 NARFE Magazine. For discussion of the top 10.

The top 10 are:

- 1 – Retirement Benefits
- 2 - Death Benefits
- 3 - Divorce
- 4 – Social Security
- 5 - Thrift Savings Plan
6. Health Insurance
- 7 - Life Insurance
- 8 - Long –term Care Insurance
- 9 - Medicare
- 10 - Beneficiary Designations