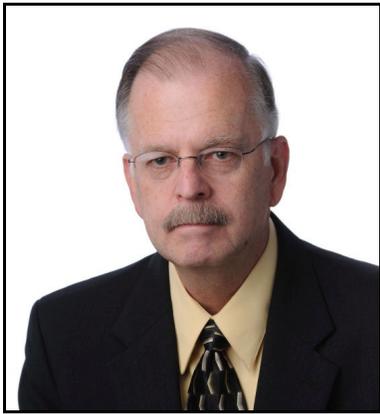


# How to be **Financially** Prepared When You Retire

By Dennis V. Damp  
Host of [www.FederalRetirement.net](http://www.FederalRetirement.net)





Dennis V. Damp is an author, retired federal manager, business owner, career counselor and veteran. He retired at age 55 with 36 years government service in 2005. Dennis is the author of 28 books and has been a guest on hundreds of radio talk shows, CNN's "Your Money" shows, lectured at universities, produced Internet web sites, and has written hundreds of articles for national magazines. His books have been featured in the *Wall Street Journal*, *Washington Post*, *New York Times* and *U.S. News & World Report*.

Dennis joined the Air Force in 1968 and spent over three years on active duty and an additional seven years with the Air National Guard. He was hired by the Department of Defense (DOD) after leaving active duty and transferred to the Federal Aviation Administration (FAA) in 1975. He spent the remainder of his career in various positions with the FAA where he worked as a system specialist, training instructor, project engineer, computer-based instruction administrator, training program manager, program support manager, and environmental health and safety program manager. His last position was technical operations manager at the Pittsburgh International Airport's air traffic control tower.

Use this report in conjunction with our [Federal Employee's Retirement Planning Guide](#) to be totally prepared when you decide to file your retirement paperwork.

This report and the web site [www.federalretirement.net](http://www.federalretirement.net) was developed by Dennis Damp to help federal employees and retirees find the information they need to make informed decisions about their retirement and benefits. Web sites developed and hosted by the author:

- [www.federalretirement.net](http://www.federalretirement.net)
- [www.fedretire.net](http://www.fedretire.net)
- [www.federaljobs.net](http://www.federaljobs.net)
- [www.fedcareerinfo.com](http://www.fedcareerinfo.com)
- [www.postalwork.net](http://www.postalwork.net)
- [www.stolenplates.com](http://www.stolenplates.com)
- [www.bookhavenpress.com](http://www.bookhavenpress.com)

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## Are You Financially Prepared to Retire

Most federal employees obtain annuity estimates prior to retiring and have a sense of what they need to live on after they leave. It's advisable to thoroughly evaluate your total expenses and income, pre and post retirement, so that you and your spouse will know how much you will be living on in retirement.

This report will help you analyze your personal situation and determine what you will have left after paying for the necessities of life. You will be able to determine if your lifestyle will need to change dramatically or if you will need to work part time to supplement your income.

To start the process locate household receipts, pay statements, utility bills, insurance policies, loans and bank account information. Gather Up the following information in preparation for evaluating your personal situation:

- Pay Stubs
- Other income sources
  - Stock Dividends
  - Savings Bonds
  - Earned Interest
  - Rental Income
  - Spouse Income
  - Other
- Insurance Policies
  - Life
  - Auto
  - Home
  - Umbrella
  - Long Term Care
- Loans
  - Car 1
  - Car 2
  - Mortgage
  - Home Equity
  - Other
- Utility costs
  - Phone
  - Gas
  - Light
  - Cable
  - Water
  - Garbage Pickup
- Other Expense Items
  - Cell Phones
  - Internet Provider
- Last Years Taxes
  - Federal
  - State
  - Local

A sample retirement analysis chart starts on page 6. Use our free [downloadable excel spreadsheet](#) to start your evaluation.

Save the spreadsheet to your desktop and work on it off line. The sample spreadsheet shows approximately what the retiree will have remaining after they pay all of their bills before and after retirement. The table is not all inclusive and you can add or remove items as necessary. This sample shows

a GS-11 step 6, CSRS employee with 35 years service who plans to retire at age 57.

The differences would be even greater for a FERS retiree. Their annuity would be approximately half. However, the FERS Social Security Supplement and their THRIFT savings plan could add substantially to their retirement income if they plan accordingly.

**NOTE:** The example doesn't include the spouse's income. A spouse could be laid off or stop working for other reasons. This example shows that the total expenses pre retirement are greater than the employee's gross pay and can be typical with working couples that have children still in school. Just one more reason to plan ahead for retirement.

We developed a comprehensive 8 page Budget Work Sheet that you can use as an alternative to the one listed in this report. Simply print it out and fill-in the blanks. It will capture the total income and expenses when both husband and wife are working.

[Download the 8-Page Budget Work Sheet](#)

Expenses on the spreadsheet are listed on the chart for pre and post retirement per year and month. The last column presents what your spouse will have to live on when your estate is settled. This is a very revealing analysis. In retirement this person will be living on an annuity of approximately \$36,985. His total expenses after retirement are \$33,835 leaving him with a buffer of just over \$3,000 a year for emergencies.

If there are unanticipated expenses or increased costs this person will need to be able to tap other retirement savings. Another option, if you don't have much in your other savings plans, is to continue to work at least part time some where. You can explore jobs best suited to federal retirees on our [Retiree's Jobsboard](#).

After completing this chart you may determine that it isn't feasible for you to retire if you were depending 100% on annuity income. Most in the federal sector have the [Thrift savings plan](#), [Social Security](#), and they may have other investment income which can substantially augment their retirement income. If you are in the FERS retirement system and retire at or after your eligibility date [social security offset](#) may help you make ends meet if you are under age 62.

In this example, the surviving CSRS spouse's annuity reduces to 55 percent of the retiree's annuity, or \$20,341. The survivor has expenses totaling \$19,680, way to close for comfort. Ideally, insurance or an annuity would add a blanket of security for the survivor along with social security, Thrift Savings and other investment income. This analysis and discussion will reveal where you need to go from here.

There are additional services and software available that can assist you with your personal situation:

### **1. Request a Federal Retirement Report**

Retirement planning specialists provide a comprehensive Federal Retirement Report™ including annuity projections, expenditures versus income, with a complete benefits analysis. This comprehensive 27-page benefits summary will help you plan your retirement.

[Request Your Personalized Federal Retirement Report™ Today](#)

Find answers to your questions: The best time to retire, retirement income vs expenditures, FEGLI options and costs, TSP risks and withdrawal strategies, and other relevant topics. Determine what benefits to carry into retirement and their advantages. You will also have the opportunity to set up a personal one-on-one meeting with a CERTIFIED FINANCIAL PLANNER.

### **2. Complete a Basic Estate Plan**

Review our [Estate Planning Guide](#). This 11 part series will help you prepare for retirement, understand basic estate planning techniques, and compile a "**Survivor's Guide**" for your spouse and loved ones.

### **3. Scheduling A Retirement Benefits Seminar**

Federal Employee Benefits Advocates (FEBA) provides comprehensive benefits briefings for Federal employees so they can make informed retirement decisions. Briefings include information on CSRS or FERS Retirement Annuities and all insurance programs including Medicare, the Thrift Savings Plan (TSP), Social Security, disability and other relevant retirement planning topics.

[Schedule A Seminar in Your Area](#)

Benefits Administration Letter 11-104 requires agencies to educate employees on how to plan for retirement. FEBA assists Federal agencies to comply with this directive. HR departments can Contact FEBA to schedule briefings for their area.

## How to Retire Mortgage FREE and Boost Your Savings

Most will have to learn to live on less in retirement, a fact of life these days. One way to become accustomed to less income is to start putting away more when you are still working into your TSP account.

Starting about ten years prior to retirement I saved all annual pay increases by increasing my allotment to the TSP, Credit Union, and through savings bond deductions. When I retired, my take home pay was the same amount it was in 1995, ten years before I retired.

When I turned age 50 I contributed the maximum allowed at the time to my TSP through catch-up contributions and when I did retire my monthly annuity check was larger than what I was taking home when I was working full time. The bonus was that I had a lot more savings because of how I invested my TSP and saved my annual pay increases. I actually started this process much earlier. Around 1990, I started putting away half of my annual pay increase so I worked my way slowing into the process.

The additional catch-up contributions and savings helps employees become accustom to working with less income. Most will earn less in retirement and this action can help you in other ways as well. A mortgage refinance is always an option. Aside from that, an employee could pay off their mortgage by applying their annual pay increases to the mortgage and retire mortgage free or have enough additional money in their Thrift Plan that at retirement they could take out a one-time withdrawal and pay off their mortgage.

Planning is the key and when you learn to live on less and the money is out-of-sight and out-of-mind you won't miss it.

### **Helpful Retirement & Financial Planning articles**

- [Retirement Essentials – Do You Have What it Takes!](#)
- [How to Keep What You Worked a Life Time Accumulating](#)
- [Preserving Your Assets \(The TSP Rebalancing Act\)](#)
- [Looking at the Numbers – The Second Time Around](#)
- [The Ultimate Federal Employees's Retirement Planning Guide](#)

# Sample Retirement Cost Analysis Spreadsheet R-1

Download this spreadsheet to prepare your personal analysis.

<http://federalretirement.net/Site/images/retcostr1.xls>

EXPENSE	Pre/year	Pre/mo	Post/year	Post/mo	Survivor	Comments
Mortgage	13800	1150	0	0	0	Paid off mortgage t
Mtg Taxes	3800	317	3800	316	3800	
Gas	1050	87.5	1050	87.5	1050	
Light	1100	92	1100	92	900	
Phone	500	42	360	30	360	
Water/Sewage	720	60	720	60	432	
Security	0	0	0	0	0	
Garbage	116	10	116	10	116	
Lawn Service	0	0	0	0	0	
Cable	540	45	540	45	540	
Internet Access	363.4	21.95	363.4	21.95	363.4	
Other						
Other						
<b>SUBTOTALS</b>	<b>21989.4</b>	<b>1825.45</b>	<b>8049.4</b>	<b>662.45</b>	<b>7561.4</b>	
<b>INSURANCE</b>						
<i>Employee</i>						
FEGLI 59K	237.74	19.81	237.74	19.81	0	75% reduction to \$0 at 65
Policy 1 25K	265	22	265	22	0	
Policy 2						
Home Care	457	39	457	38	0	
Other						
<i>Spouse</i>						
Policy 1 25K	216	18	216	18	216	
Policy 2 3K	0	0	0	0	0	
Home Care	444	37	444	37	444	
<i>Other</i>						
Home	490	40.83	490	40.83	490	
Umbrella	0	0	0	0	0	
Car #1	585	48.75	585	48.75	0	
Car #2	600	50	600	50	600	
Mobile Home						
Motor Cycle						
Health Ins	3692	307.66	3692	307.66	1113.6	Survivor change to self only
<b>SUBTOTALS</b>	<b>6986.74</b>	<b>583.05</b>	<b>6986.74</b>	<b>582.05</b>	<b>2863.6</b>	

## Sample Retirement Cost Analysis Spreadsheet R-1 (Continued)

<b>PAY</b>						
Gross Pay	56,900	4,741	36,985	3,082	20,341	
<b>Deductions</b>						
<b>Social Security</b>						
CSRS Ret (7%)	3,983	331.87	0	0		Amount paid into CSRS
State Tax (3%)	1707	142	0	0		PA does not tax retirement
Fed Tax	7,567	630	3,500	291	1500	Varies per exemptions
Medicare	804	67	0	0		
TSP	3,983	367	0	0		No contributions after retire
CFC	26	2	0	0		"
Savings Bond	1,300	108	0	0		"
<b>SUBTOTALS</b>	<b>19369.53</b>	<b>1647.87</b>	<b>3500</b>	<b>291</b>	<b>1500</b>	
<b>AUTOS</b>						
Car 1	1200	100	600	50	0	Check for rate reductions
Car 2	600	50	500	41	400	
Maint 1	200	17	200	17	0	
Maint 2	200	17	200	17	300	
Loan	2592	216	0	0	0	
<b>SUBTOTALS</b>	<b>4792</b>	<b>400</b>	<b>1500</b>	<b>125</b>	<b>700</b>	
<b>FOOD/MISC</b>						
Groceries	8500	704	7000	583	4000	
Clothing	1500	125	1000	83	1000	Depends on habits/etc.
<b>SUBTOTALS</b>	<b>10000</b>	<b>829</b>	<b>8000</b>	<b>666</b>	<b>5000</b>	
<b>ENTERTAIN</b>						
Eat Out	1800	150	2400	200	1000	
Misc	1200	100	2400	200	1000	
Other						
<b>SUBTOTALS</b>	<b>3000</b>	<b>250</b>	<b>4800</b>	<b>400</b>	<b>2000</b>	
<b>EXPENSES</b>	<b>21989</b>	<b>1825</b>	<b>8049</b>	<b>662</b>	<b>7561</b>	
<b>INSURANCE</b>	<b>8557</b>	<b>721.23</b>	<b>7986.2</b>	<b>664.9</b>	<b>2919</b>	
<b>PAY WITHHOLD</b>	<b>19,367</b>	<b>1697</b>	<b>3500</b>	<b>291</b>	<b>1500</b>	
<b>AUTOS</b>	<b>4192</b>	<b>400</b>	<b>1500</b>	<b>125</b>	<b>700</b>	
<b>FOOD/MISC</b>	<b>10000</b>	<b>829</b>	<b>8000</b>	<b>666</b>	<b>5000</b>	
<b>ENTERTAIN</b>	<b>3000</b>	<b>250</b>	<b>4800</b>	<b>400</b>	<b>2000</b>	
<b>TOTAL ALL</b>	<b>67105</b>	<b>5722.23</b>	<b>33835.2</b>	<b>2808.9</b>	<b>19680</b>	

## NOTES

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