

## 10 WORST MISTAKES FEDERAL EMPLOYEES AND RETIREES MAKE

### **1. Failure to elect survivor benefits for a spouse who has his/her own income or retirement.**

Predeceasing your spouse does not necessarily mean that all your expenses and bills die with you. The expenses for the automobile, house and other items, which you shared jointly with your spouse, continue. You want your spouse to live uninterrupted in the life style to which he/she has become accustomed.

*Solution: Elect a survivor benefit for your spouse.*

### **2. Pick up your first retirement check, sell your house and head for a warmer climate.**

Moving before you have assessed all the pros and cons of shifting to a new location can be an expensive mistake. You must explore financial, emotional, cultural, medical, proximity to family and other considerations at both your current and prospective locations. You need to determine whether to rent or purchase a residence and the taxes you will be required to pay.

*Solution: Have a serious soul searching to consider the realities and not the dreams of retirement.*

**3. Failure to consider your spouse's routine when you retire.** Your spouse may not be eligible to retire or your spouse may never retire from being a homemaker. After 30 years, your spouse may not want you fiddling around the house, in the way, for an extra 10 hours a day.

*Solution: Don't retire until you have something to do. Plan your retirement. This does not mean a full schedule of volunteer work or projects. It means that you will need an excuse for getting up and getting started in the morning.*

**4. Failure to realistically review your life insurance needs at retirement.** All of the optional plans (A, B and C) of the Federal Employees' Group Life Insurance program increase in monthly premiums by nearly 50 percent at age 55 and again at age 60. Many retirees simply keep the same insurance coverage they had as employees. Do you need the insurance? The mortgages are paid off and children's tuition balances have been paid.

*Solution: Re-explore your basic financial needs and discuss what the purpose of insurance is to your specific situation.*

**5. Expecting to receive a full Social Security retirement based on your total Social Security earnings.** The Windfall Elimination Provision will reduce the earned Social Security benefits of a federal worker who retired after 1985 by 40 to 50 percent.

*Solution: Adjust your retirement budget accordingly and work for repeal of the law.*

**6. Not electing a survivor benefit for a spouse--either at retirement or upon marriage (remarriage) after retirement.** In order to retain Federal Employee Health Benefits (FEHB), the surviving spouse must receive a survivor benefit.

*Solution: Elect a small survivor benefit. The survivor can pay FEHB premiums directly if the annuity is not sufficient to cover the premium. Recent retirees can select survivor benefits within 18 months of retirement date. However, a large monetary penalty must be paid in order to make an after-retirement election. Survivor benefits for a post-retirement remarriage must be elected within 2 years of the marriage.*

**7. Failure to meet the requirement to have FEHB coverage for 5 years before retiring in order to retain the coverage.** A federal employee covered by spouses' private sector health plans opts not to enroll in FEHB while employed or is not enrolled for five years. The spouse later loses coverage or benefits are reduced. As a retiree, the annuitant cannot enroll in FEHB.

*Solution: Enroll in the least expensive self only FEHB plan for at least 5 years before retiring in order to continue FEHB into retirement and preserve the opportunity to change later to family coverage at an open season.*

**8. Electing a self only FEHB enrollment (when spouse has other non-federal health plan coverage).** Upon death of the annuitant, a spouse would not be able to retain FEHB. The retiree must not only elect a survivor benefit, but have a family enrollment in effect at the time of death.

*Solution: Change to a family enrollment at the next open season.*

**9. Enrolling in the High Option of a fee-for-service plan when the Low (or Standard) Option provides good benefits at a substantially lower premium.** For example, the Blue Cross/Blue Shield (BC/BS) Standard Self Only monthly premium in 2000 is \$65.09 compared to \$144.69 for the High Option. For Medicare enrollees especially, the Standard Option for any fee-for-service plan combined with Parts A and B of Medicare provides nearly full coverage of all health-care expenses, with little out-of-pocket costs.

*Solution: At age 65, change to a less expensive plan. This change can be made at any time from 30 days before age 65 or any time thereafter, including a future open season.*

**10. Two federal retirees elect two self only fee-for-service enrollments instead of one family enrollment.** While two self only enrollments usually cost slightly less in premiums than one family, there are several benefit losses that may outweigh the slight premium savings. Two self only enrollees must meet separate deductibles, copayments, coinsurance and Catastrophic Protection Benefits. For example, the BC/BS Standard Family catastrophic level in 2000 is \$3,700, if Preferred Providers are used. Each enrollee in two self only enrollments would have to meet the \$3,700 catastrophic level, or \$7,400 total. This is not true for Medicare eligibles.

*Solution: Change to family coverage at a future open season.*