

More Best Dates to Retire: Middle of the Month

By Tammy Flanagan

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Last week, I presented my annual [Best Dates to Retire](#) column and calendar, and generally described some of the best times to consider ending your federal career. They're often at the end of a month (or the first few days following the end of a month).

Sometimes, though, the end of the month may not provide as much of an advantage as the middle of the month for those under the Federal Employees Retirement System, or even those under the Civil Service Retirement System who are retiring with less than 25 years of service. This is because for most FERS employees and some CSRS employees, one month of retired pay is worth less than two weeks of salary.

Let's look at this from the FERS perspective. To compute your FERS retirement benefit, multiply your high-three average salary (the highest average basic pay -- including locality pay -- over any three years of your career) by 1 percent (or 1.1 percent if you're retiring at age 62 or later with at least 20 years of service). Even a 40-year career under FERS is only going to be worth 40 percent of your high-three average salary.

Suppose your salary is \$60,000 per year. That means your biweekly pay is \$2,307 before withholdings. If you had 40 years of service and were going to retire at age 60, your retirement would be worth a little less than \$24,000 a year. If your high-three average is at least a little less than your final salary rate, your monthly unreduced FERS benefit would be around \$2,000 per month -- or \$307 less than your biweekly paycheck. Receiving an additional paycheck for 80 hours of work by retiring in the middle of the month could net you more income than retiring at the end of the previous month so that you could receive your first retirement check immediately.

If you retire on Saturday, Jan. 10, 2015 (the last day of the 2014 leave year for most federal employees), you would be paid your salary through your date of separation and your first FERS retirement check would be for the month of February (paid on March 1). So you would not receive salary or retirement benefits for Jan. 11 through 31.

You would receive seven more days of salary and 10 more days of service if you chose to retire on Jan. 10 rather than Dec. 31, 2014. At a rate of \$60,000 a year, your final paycheck would include an additional \$1,610 additional gross salary for Jan. 1-10. (And you'd only have to show up at work six of the seven work days in that period because of the New Year's holiday.) You'd also accrue another eight hours of annual leave -- adding up to \$230 in your lump sum annual leave payment.

The additional 10 days of service might be enough to accrue an additional month of service when added to the service you had on Dec. 31. An additional month of service would be worth 1/12 of 1 percent of your high-three. If your high-three average was \$60,000, then this would add another \$50 a year, or a little over \$4 a month, to your lifetime FERS benefit.

The downside of retiring on Jan. 10, rather than Dec. 31, would be losing the January FERS benefit check. If you had 30 years of service, then your FERS retirement would be worth 30 percent of your high-three. At a high-three of \$60,000, your annual retirement would be worth \$18,000 per year. That's \$1,500 a month before reductions.

The bottom line is that by waiting to retire, you would have gained \$1,610 (plus another leave accrual and possibly another month of service), and lost \$1,500.

Keep in mind, though, that if you were entitled to receive a FERS Supplement for 30 years of service under FERS, this could mean the loss of about another \$1,000-\$1,200 for the month of January. The supplement is payable to employees who retire on an immediate, unreduced FERS retirement and are under age 62. It is designed to provide a bridge between retirement and qualifying for Social Security retirement benefits. About half of all employees who retire under FERS are entitled to the FERS Supplement.

On the other hand, if you were eligible for Social Security benefits, you might receive a January payment depending on your age and also on whether you are subject to the Social Security earnings limit. The earnings limit for Social Security doesn't apply after you reach the full retirement age -- between 65 and 67, depending on your year of birth.

Also, don't forget that your FERS benefit may be reduced for survivor elections or age (in the case of an MRA+10 retirement), or pro-rated for part-time service.

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