

Is the Grass Really Greener?

By Tammy Flanagan

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In the past couple of weeks, we've been exploring the issue of whether to stick it out in a federal career or make the leap to the private sector.

That prompted some requests for help in evaluating the "should I stay or should I go?" question. Let's look at a couple of them.

Experienced Under CSRS

The first is from a 62-year old single federal employee with 32 years of service under the Civil Service Retirement System. She is a GS-7, Step 10, who doesn't see any potential for promotion. This employee is four credits shy of the required 40 credits needed to qualify for Social Security retirement benefits. Here are her questions, and my responses:

Am I working for the same amount of pay that I would be receiving from my CSRS retirement?

Let's assume, based on your rank and federal pay tables, that your salary is \$50,431. With 32 years of federal service under CSRS, your retirement would be computed at 60.25 percent of your highest three years of salary. If your high-three average is close to your current salary, the unreduced benefit would be \$30,330.

Now, 60 percent of your salary is not the same as 100 percent, but it might be closer than it looks. Your salary is subject to the following withholdings that will not be deducted from your retirement check: CSRS retirement contributions (7 percent), Medicare tax (1.45 percent), and Thrift Savings Plan contributions (up to \$17,500 in 2014 plus \$5,500 catch-up contributions). Those under the Federal Employees Retirement System will have a different retirement withholding and will also no longer have to pay the FICA tax (6.2 percent of salary up to \$117,000 in 2014).

On the other hand, your retirement benefit may be subject to a reduction -- or two or three. These could occur if you had prior federal service that was not covered by retirement deductions or if you had a break in service and withdrew your retirement contributions. These situations might mean that you owe a deposit to the retirement fund, without which your benefit would be reduced. You also might choose to provide a survivor benefit at retirement, which also would shrink your benefit.

To get a better idea of what your benefit will look like, it's best to request an official estimate from your agency.

You might not replace your net income with your retirement, but the bigger question is this: Will your retirement benefit provide enough income for you to afford to retire comfortably? In other words, what are your living expenses?

Should I work in the private sector to earn another four credits to qualify for Social Security retirement benefits?

Is something better than nothing? If you have 36 quarters of coverage (sometimes referred to as credits of coverage), you won't receive any Social Security retirement benefit. However, if you earn another four credits, you would be eligible for a benefit. Its size would depend on your earnings record over your life time of Social Security covered

employment. To find out how much you might be entitled to receive, use [Social Security's online calculator](#).

Also, remember that you're going to be affected by the Windfall Elimination Provision, which will reduce your Social Security benefit if you also receive a pension from work not covered by Social Security (such as a CSRS benefit). Use Social Security's [WEP online calculator](#) to determine how much it will affect you.

Should I stay or should I go?

As you can see, you might have some additional work to do before you can make this decision. Here are some questions to ask yourself as you go through that process:

Do you love what you do?

Is there something else that you would like to be doing?

Can you afford to retire?

An Opportunity to Advance

The second case study involves an employee working outside the Washington area at the GS-11 level who sees no opportunities to advance. This employee asks: Should I stay or try the private sector for more money and growth potential? In addition to everything covered in the previous couple of week's columns, here are some additional questions to consider:

How will your skills match available jobs in the private sector?

Even though there are few opportunities to advance, are you unhappy in your current position?

What are the other opportunities available in your area?

Do you have a job offer in hand?

Will your private sector job offer a pension benefit, an employer-sponsored savings plan like the Thrift Savings Plan (with low cost and well-diversified investment options and matching company contributions), affordable health insurance, employer life insurance, vacation and sick leave, a flexible work schedule and the option to purchase long-term care insurance?

As you can see, even if you're in what appears to be a dead-end job, leaving government isn't a simple decision.

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<http://www.govexec.com/pay-benefits/retirement-planning/2014/02/grass-really-greener/78824/>