

Answers to Retirement Quiz: The Basics

By Tammy Flanagan

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- a.** True. Anyone can make IRA contributions as long as they have earned income. A parent can contribute to an IRA for a child up to the annual amount of the child's earned income or to the amount set by law each year (\$5,500 in 2014; \$6,500 if age 50 or over), whichever is less.
- g.** All of the above. The newest type of retirement savings account is the MyRA. It is designed to help Americans begin to save for their retirement with after tax savings, but tax free growth similar to a Roth IRA. A MyRA can be started with an initial investment of as little as \$25.
- a.** This term is used to describe the retirement benefits a federal employee retains the rights to when they leave federal service.
- a.** True. If you're ready to leave federal service, you can leave your money in your TSP account if the vested balance is at least \$200. You also can transfer other qualified money (such as a traditional IRA or another eligible employer plan) into your TSP account.
- b.** There is a three-year vesting requirement for the agency automatic contributions into your TSP, but there is a five-year vesting requirement for your basic government retirement benefit under both the Civil Service Retirement System and all versions of the Federal Employees Retirement System.
- a.** True. It can be confusing, though, since the term "annuity" can be used to describe your CSRS or FERS retirement benefit as well as one of the withdrawal options for the TSP.
- a.** True. A pension requires contributions from the employee and/or the employer. CSRS and FERS require both employee and employer contributions.
- a.** True. The Office of Personnel Management refers to the CSRS and FERS benefit as both an annuity and a retirement benefit.
- a.** True. According to OPM, if you are a former federal employee who was covered by CSRS, you may be eligible for a deferred annuity at age 62. If you are a former federal employee who was covered under FERS, you may be eligible for a deferred annuity at age 62 or at the minimum retirement age, depending upon how much service you had when you left federal service.
- b.** False. Social Security benefits provide a higher replacement of income for those earning lower wages and a lower replacement of income for those earning higher wages.

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