Government Executive

Found Money

By Tammy Flanagan

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Everyone likes “found money”—those few extra bucks you find in the pocket of an old jacket in the closet, or that wadded up $10 bill in a pair of jeans headed for the laundry. This week, I want to share a few ways you might be able to find some extra money for your retirement so you can be more comfortable as you make the transition from a paycheck to a fixed income.

Here are a few tips on where you might find some extra cash:

Understand the difference between sick leave and annual leave credit, especially if you’re going to retire within the next year.

If you need to use your sick leave in the last year of service, use it instead of annual leave. Last week, I was talking to an employee who is retiring in 2014. She was getting ready to use her annual leave to care for husband who is ill. But she could get credit for that leave in her final lump-sum payout of unused annual leave. She should consider taking advantage of the ability to use sick leave to care for a family member with a serious health condition. Here is a fact sheet on that subject.

To be clear, I’m not suggesting abusing your sick leave. But if you have a valid reason to use it, then you should. (But only if you’re planning to retire soon. If retirement is still a ways off, sick leave serves as your short-term disability insurance.) Consider the following example:

Let’s say your salary is about $62,000 per year. That works out to $30 an hour. If your high-three average salary is $60,000, then one month of unused sick leave would be worth $50 a year in additional retirement income under the Federal Employees Retirement System. This is determined by multiplying 1/12 of 1 percent of your high-three. If you are 62 or older with more than 20 years of service, then you would multiply by 1.1 percent, in which case the month of sick leave would work out to $55 a year. Under CSRS, you would multiply 1/12 of 2 percent of your high-three, so the extra month of sick leave would be worth $100 a year.

One month of sick leave is equivalent to 169-174 hours. On the other hand, 174 hours of annual leave would be worth $5,220 in a lump sum payout when you separate from federal service (the $30 hourly pay rate multiplied by 174). Now you can figure out how long you would need to be retired to receive the equivalent income to what your lump sum annual leave payment is worth. Under FERS, it would take over 100 years and under CSRS, it would take more than 50 years.

If you need a refresher on sick leave credit towards retirement, here is a previous column I wrote on the subject.

Consider the lifelong benefit of working a year longer than you had planned.

A full year of additional service will add significant value to your lifetime retirement benefit.

Using the example above, if the employee worked an additional year, this would add a full 1 percent (FERS), 1.1 percent

(FERS at age 62 or older with at least 20 years of service) or 2 percent (CSRS) of his or her high-three average salary to the retirement benefit. In addition, the employee's high-three might increase because of additional time working at the final salary rate. Using a high-three of $61,500, the additional year of service would add $610 (FERS), $671 (FERS 62 and older with 20-plus years of service), or $1,220 (CSRS) to the yearly retirement benefit for the rest of the employee's life -- with adjustments for future inflation.

In addition to a higher retirement benefit, this also allows another year of earning leave credit. Remember that you earn 104 hours of sick leave a year and 208 hours of annual leave if you are in the eight-hour category for annual leave accrual.

For FERS and CSRS Offset employees, an additional year of salary also would increase the average wages that the Social Security retirement benefit is based on. If you are over 62, but under the full Social Security retirement age (65-67, depending on your year of birth), you would avoid more of the age reduction.

Finally, working an additional year would allow you to put more money away in the Thrift Savings Plan -- a maximum of $17,500 in 2014, plus $5,500 in catch-up contributions for those who turning 50 or older during the year (with automatic and matching contributions for those in FERS).

Reevaluate your insurance.

How much life insurance do you have? Do you have long-term care insurance? Are you in the best health plan that provides the most value and protection for your needs and the needs of your family? Insurance isn't cheap, but it is necessary to provide protection against events that could result in financial catastrophes. Here are some of my past columns that might give you some insight into your insurance needs and where you might be able to free up some extra retirement cash:

Need Money? Rethink Life Insurance June 22, 2012
Long-Term Thinking June 15, 2012
Getting Something For (Next To) Nothing Dec. 6, 2013
Five Steps to Picking a New Health Plan Nov. 22, 2013
65 and Still Working May 31, 2013
FEHBP and Medicare Oct. 25, 2012

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