



THE VETERANS' VOICE

FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS) PENSION SURVIVOR BENEFITS: WHAT ARE THEY AND ARE THEY WORTH IT?

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We know first-hand the questions that Federal Employees Retirement System (FERS) and Civil Service Retirement System (CSRS) retirees have when sitting down to plan their retirement. FERS and CSRS retirees have to choose "survivor benefits" for their spouse to receive in the event they pass after retirement. This decision has to be made at retirement, even without understanding what survivor benefits are or what it can mean to you and your spouse over time. Understandably, it can be hard to know what the best choice is unless you're a licensed professional who works with Federal Employees on a daily basis.

Survivor benefits can have a lot of particulars. Nothing replaces the advice of a financial professional who deals with retirement. If the professional you are planning your retirement with doesn't understand your FERS or CSRS benefits inside out, seek a second opinion. When it comes to survivor benefits, there are advantages and disadvantages.

What are Survivor Benefits?

Survivor benefits are easily described as a portion of your monthly pension payment in retirement that your spouse would receive if you were to precede them in death. Deciding the type of survivor benefit is a decision that cannot be taken lightly and once made, cannot be changed. There are three options for pension participants.

1. **Single Rate:** Under this option, in the event that the Federal Employee passes away, the spouse would receive nothing from the pension. It should be noted that this option actually has to be signed off by the spouse of the Federal Employee. It's not up to the Federal Employee to make this decision alone.
2. **Full 50% Survivor Benefit:** This means if the Federal Employee passes away before their spouse, the spouse would receive 50% of the FERS pension payment. This is the highest payout option, but the most expensive, costing 10% of the pension per month. For CSRS pension participants, this is their only option besides the single rate with a monthly payout of 55% and costing 10% as well.
3. **Half 25% Survivor Benefit:** This means that the spouse of a Federal Employee would receive 25% of their deceased partner's monthly pension payment. This lower payout also has a lower cost for Federal Employees at 5% per month.

So, let's say that you're a Federal Employee with 28 years of service and a "high-3" average of \$61,000. You have a spouse who is much younger and you're a FERS pension participant. Based off of this information, you'll have a few options:

1. At a single rate, you would collect a FERS pension of \$1,598/month. While this option has the highest monthly payout it may not be the best choice for you since your spouse is much younger and there is an increased probability that you'll pass away first.

2. Selecting full 50% survivor benefit, you would collect a FERS pension of \$1,438/month. After you pass, your spouse would receive 50% (\$799) of your full \$1,598 monthly payment. This option would cost you and your spouse \$160/month.

3. Selecting half 25% survivor benefit, you would collect a FERS pension of \$1,518/month. After you pass, your spouse would receive 25% (\$399) of your full \$1,598 monthly payment. This option would cost you and your spouse \$80/month.

Are Survivor Benefits Worth It?

Over a 10-year timespan, survivor benefit options could cost your family tens-of-thousands of dollars, which is a huge "what-if" cost. Selecting these benefits is betting that you're going to pass away before your spouse. If have a much younger spouse like the situation above, your options may be easier to weigh. However, in the event the spouse did pass before you, payments would cease and no other beneficiaries are entitled to your pension.

A survivor benefit serves as a vehicle to create income for a surviving Federal Employee's spouse, but keep in mind there are many other options available to FERS and CSRS employees. For example, a single premium life insurance plan may have more versatility and options to better suit you and your spouse's needs, should you prefer to pass assets onto additional beneficiaries instead of solely your spouse.

The number one benefit of selecting a survivor benefit is that the spouse is able to stay on the Federal Employee's health insurance coverage until Medicare is a better option. This is good for families who rely solely on the health coverage of the Federal Employee. However, there may be other instances where Medicare or the spouse's coverage through their employer may be a more cost-effective option.

One thing that we always recommend to our Federal and State Employee clients is to sit down with a retirement professional who understands the ins-and-outs of FERS and CSRS pensions so they can help you weigh options and understand the costs and advantages to survivor benefits. Truthfully, that is a conversation that most likely needs to have already happened. You can wait until retirement to plan for it, but your options will be limited and your income may be reduced over time due to improper planning.



Clinton Smith, CEO of Government & Civil Employee Services, LLC (GCES), is focused on building a team of passionate professionals whose genuine interest is in helping others, while staying current on ever changing laws and procedures determined by the Federal Government. Clinton holds a Pennsylvania Life, Health and Annuity License and is also a registered Public Notary for the state of Pennsylvania.

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