



THE VETERANS' VOICE

SHOULD YOU BUY-BACK MILITARY TIME WHILE WORKING UNDER THE FEDERAL EMPLOYEE RETIREMENT SYSTEM (FERS)?

By: Galen Bargerstock, President of Government & Civil Employee Services, LLC - Sept. 2017

Anyone who was in the military and then continued to work for the Federal Government under the Federal Employee Retirement System (FERS) can choose to “buy-back” their military time. Many FERS employees are confused on why one would do this, but also never fully understand how much it can add to their retirement or if they're even eligible to do so.

First let's break down which years veterans are actually able to buy-back under the FERS program:

- If you were in the National Guard or Reserves, you can only buy-back actively deployed time. If you had military service prior to December 31, 1956, your military buy-back is free and you don't need to pay to get the time back.
- If you served in the military after 1956, you can buy-back time without having to pay a special up-front deposit and anyone with service after 1982, a deposit is required.

Now what does buying that time back actually mean? In simple terms, if you were in the military for four years, you can “buy-back” that time and add those four years to the years of service you now have under your FERS pension. This means that by buying back those years you are going to increase your monthly pension payment in retirement. In my experience, when working with FERS employees to buy-back their time, I have found that not only is the cost reasonable, but they will also let you pay for it over time instead of one lump sum. Additionally, it is very important if you are a FERS employee that you buy-back the time before you are ready to retire. This process has to take place prior to retirement and it's recommend that you do it after you're vested in your pension. Being vested in your pension means you have worked there long enough that you'll always be eligible to receive a monthly payment from the pension plan upon retirement, even if you spend a few years working somewhere else before you retire. FERS employ-

ees are vested in their pension after five years.

“How much are we talking about?” This is another question I always hear. That always depends on the years of service and the average of your high-three years of salary. For a 62-year-old FERS employee with 32 years of service who made \$60,000/year, they would receive \$1,801/month for a single-rate annuity. Add another year to that and the monthly pension payment goes up to \$1,856 a month. That's an increase of \$55 every month in retirement for just one year. If you take the exact same scenario but include buying back four years, the monthly pension payment is \$2,021/month, an increase of \$220/month. That adds up to \$2,640/year into your retirement budget and for most that is a nice chunk of change. No one knows their life expectancy. However, if you plan on living a long life, it makes sense to buy-back the military time and to do so as soon as you become vested in the FERS pension.

The cost to actually buy-back military time varies from person-to-person with several stipulations. It also rides on a varying interest rate. The best way for a FERS employee to find out how much it will cost them to buy-back their military time is to contact the Defense Finance and Accounting Service. You are even able to go to their website and use their “military time buy-back estimator,” which can give you a rough estimate of what it will cost you. FERS employees also have the option of contacting their HR department for them to initiate the process of buying back military time. The process through the FERS HR department can take a little time, so it needs to be done well in advance of your retirement. Also, FERS employees can contact a reputable financial advisor who specializes in helping veterans, in order to get a better understanding of how the FERS pension works, as well as how military buy-back could benefit them in their retirement planning process. Remember nothing can replace the advice of a professional who understands the ins-and-outs of FERS.



Galen Bargerstock, president of Government & Civil Employee Services, LLC (GCES), is concentrated on navigating federal and state employees through financial and retirement planning. Galen holds a Pennsylvania Life, Health and Annuity License, as well as Series 6 and 63 licenses.

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