

10 Costliest Mistakes

Quick Wins

Each of these is a focused hour of planning that can prevent five- or six-figure mistakes.

1. Confirm Coverage & Service (FERS + Creditable Time) ⁸

- Check your record: Verify you are under FERS (not CSRS Offset) and that all service is credited. Don't forget military buyback or temporary time.
- Why it matters: Errors compound—a missing year of service is about 1% of high-3 per year, every year for life. On a \$100,000 high-3, that's \$1,000/year, or \$20,000+ over 20 years.
- Extra note: Unused sick leave increases your pension computation, not your eligibility date.

2. Map Your MRA & Target Date ⁸

- Find your MRA: Based on birth year (~56–57).
- Rules you may meet: 62/5, 60/20, MRA/30, or MRA/10 (with a reduction).
- Why it matters: Retiring even one year early under MRA+10 can cut your pension by 5% for each year under 62. On a \$20,000 pension, that's a \$1,000/year permanent cut = \$30,000 over 30 years.

3. Protect FEHB Continuation (5-Year Rule) ⁸

- **Requirement:** Must be covered by FEHB (or qualifying plan) for the 5 years before retirement (or since first eligibility).
- Why it matters: Miss the rule and you lose lifetime FEHB. Replacing FEHB could cost \$10,000+/year in private coverage. Over 20 years, that's \$200,000+.
- Pro tip: Cancelling FEHB while employed resets the clock—be cautious with plan changes.

4. Choose FEGLI Basic Reduction Option ⁸

Your options:

- 75% reduction – begins at 65 (or retirement, if later), drops 2%/mo to 25%.
- 50% reduction – drops 1%/mo to 50%.
- No reduction – full coverage for life (highest premium).

Why it matters:

The wrong choice can cost thousands in unnecessary premiums or leave survivors short of coverage. One retiree paid \$20,000 extra over 20 years by picking no-reduction without actually needing it.

5. Make The Survivor Election Intentionally ⁸

- Rule: Without a survivor annuity, your spouse cannot keep FEHB after your death.
- Choices: 50% survivor (~10% annuity cost) or 25% survivor (~5%). Spousal consent required for less than the full option.
- Why it matters: Waiving survivor protection might save \$3,000/year in pension now, but could force your spouse into private insurance later at \$12,000–\$15,000/year. Over 15 years, that's \$180,000+ in lost protection.

6. Evaluate Military Service Deposit ⁸

- Option: Buy back military time for a deposit (typically small compared to benefit).
- Why it matters: Each year of military service can add 1% of high-3 per year for life. On a \$90,000 high-3, one year adds \$900/year = \$18,000 over 20 years.

7. Maximize TSP Match & Catch-Up ^{3 6}

- Baseline: Contribute at least 5% for the full match = \$5,000/year free money on \$100k salary. Missing five years is a \$25,000 lost contribution (~\$33,000 with growth).
- Catch-up: At 50+, add \$7,500/year; at 60–63 in 2025, super catch-up = \$11,250.
- Pro tip: Don't cap out early—if you max too soon and stop contributions, you lose agency match for those pay periods (~\$1,000+/year). Over 20 years, that's \$20,000–\$30,000 lost with compounding.

8. Know The Age-55 / Age-50 Exception ³

- Rule: If you separate in the year you turn 55 (or 50 for public safety), TSP withdrawals avoid the 10% early-withdrawal penalty.
- Why it matters: Missing this exception and rolling into an IRA too early could cost \$10,000+ in penalties on a modest withdrawal stream.

9. Understand The FERS Annuity Supplement ⁷

- What it is: A bridge benefit if you retire before 62 with the right service (pays roughly your age-62 Social Security).
- Earnings test: In 2025, earnings over \$23,400 reduce it \$1 for every \$2 earned.
- Why it matters: If your Supplement = \$12,000/year, and you earn \$33,400, you'd lose \$5,000 that year. Work full-time and you could wipe out the entire benefit.

10. Update Beneficiaries & Prepare Forms ⁸

- Check: FERS (SF-3102), FEGLI (SF-2823), TSP, plus assemble SF-3107 (retirement application), SF-2809 (FEHB), and SF-2818 (FEGLI).
- Why it matters: Outdated beneficiaries can send life insurance or TSP to an ex-spouse by default. One overlooked form has cost families \$100,000+ in unintended payouts.

Bonus: Medicare & FEHB Coordination ^{8 10}

- As an annuitant: Medicare pays first, FEHB second; Medicaid pays last.
- Part B decision:
 - Enrolling often reduces out-of-pocket costs (especially if you use out-of-network care).
 - Declining lowers premiums now (\$185/month in 2025), but could mean higher copays and permanent late penalties later.
- USPS retirees in PSHB: Most must enroll in Part B; check your status.

Cost lens: Declining Part B saves \$2,220/year in premiums, but one hospitalization with 20% coinsurance could erase those savings in a single bill.