7 Costly Federal Retirement Mistakes, and How to Avoid Them

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After years of federal service, you've earned valuable retirement benefits. However, many federal employees **make avoidable mistakes** during the retirement process that can impact their income, healthcare coverage, taxes, and long-term financial security.

The good news is that with proper planning, these mistakes can often be avoided.

This guide highlights seven of the most common retirement mistakes federal employees make and provides practical tips to help you prepare for a more confident retirement.

1 Waiting Too Long to Understand Your Retirement Eligibility

Many employees assume they know when they can retire, only to discover they misunderstood eligibility requirements.

Retirement eligibility depends on several factors, including:

- Age
- Years of creditable service
- Retirement system (FERS or CSRS)
- Special provisions for certain occupations

How to Avoid It

Review your retirement eligibility well before your intended retirement date.

Ask yourself:

- Have I reached my Minimum Retirement Age (MRA)?
- Do I qualify for immediate retirement?
- Would delaying retirement increase my pension benefits?

! Understanding your options early can help you make more informed decisions.

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② Assuming Your FERS Pension Will Cover All Your Expenses

Many federal employees overestimate how much of their pre-retirement income will be replaced by their pension.

While the FERS pension can provide an important source of guaranteed income, most retirees rely on multiple income sources, including:

- FERS Pension
- Thrift Savings Plan (TSP)
- Social Security
- Personal savings and investments

How to Avoid It

Create a retirement income plan before retiring.
Consider:

- Monthly expenses
- Inflation
- Healthcare costs
- Travel and lifestyle goals
- Emergency reserves

Knowing how all your income sources work together can help reduce surprises later.

PRO TIP!

You may want to consider planning for retirement based on your expected expenses rather than a percentage of your current salary. Creating a realistic retirement budget can help you better understand how much income you'll actually need and identify any potential gaps before you retire.

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③ Claiming Social Security Without a Strategy

Social Security is one of the biggest retirement decisions many federal employees face.

Claiming too early may permanently reduce your benefit. Waiting too long without understanding the tradeoffs can also impact your overall retirement plan.

How to Avoid It

Before claiming Social Security, evaluate:

- Your retirement income needs
- Health and life expectancy
- Marital status
- Survivor benefit considerations
- Other retirement income sources

A coordinated strategy may help maximize lifetime benefits.

④ Mishandling Your Thrift Savings Plan (TSP)

The TSP often represents one of the largest retirement assets that federal employees accumulate.
Common mistakes include:

- Taking withdrawals too quickly
- Creating unnecessary tax consequences
- Failing to diversify retirement income sources
- Remaining in an investment allocation that no longer matches retirement goals

How to Avoid It

Develop a withdrawal strategy before retirement.
Review:

- Required income needs
- Tax implications
- Investment risk
- Beneficiary designations
- Long-term distribution planning

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5 Overlooking FEHB Requirements

Federal Employees Health Benefits (FEHB) coverage is one of the most valuable retirement benefits available to federal employees.

Unfortunately, some employees wait too long to understand the eligibility requirements.

How to Avoid It

Confirm that you:

- Meet retirement eligibility requirements
- Have been enrolled in FEHB for the required period
- Understand how Medicare may coordinate with FEHB

Healthcare expenses can be among the highest costs in retirement, making advance planning essential.

6 Choosing Survivor Benefits Without Understanding the Impact

Survivor benefit elections affect both your retirement income and your spouse's financial security. Many employees make these decisions quickly without fully understanding the long-term consequences.

How to Avoid It

Review:

- Survivor annuity options
- Cost of elections
- Impact on pension payments
- Spousal income needs
- Existing life insurance coverage

Once certain elections are made, changing them may be difficult or impossible.

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⑦ Waiting Until the Last Minute to Prepare Retirement Paperwork

Retirement paperwork can be complex. Errors, missing documentation, or incomplete forms can create unnecessary delays and frustration.

How to Avoid It

Begin preparing well in advance.
Review:

- Service history
- Beneficiary designations
- Retirement applications
- Military service deposits (if applicable)
- Leave balances
- Pension estimates

Starting early provides time to correct issues before they become problems.

PRO TIP!

Create a retirement planning folder, digital or physical, at least 12 months before your expected retirement date. Keep copies of service records, beneficiary designations, pension estimates, military service documentation, and retirement forms in one place to help streamline the process.

If you're within five years of retirement and haven't recently reviewed your pension estimate, TSP strategy, Social Security options, FEHB eligibility, and survivor benefit elections, now may be a good time to conduct a comprehensive retirement review.

The sooner potential issues are identified, the more options you may have to address them.

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Retirement Planning Is More Than Filling Out Forms

A successful retirement isn't just about becoming eligible to retire. It's about understanding how your pension, TSP, Social Security, healthcare benefits, taxes, and income strategy work together to support the retirement you've earned.

The decisions you make before retirement can impact your financial future for decades.

Schedule Your Complimentary Federal Retirement Review

If you're within five years of retirement, or already preparing your retirement paperwork, a personalized review can help identify opportunities and potential blind spots.

During your complimentary consultation, you'll have the opportunity to:
✓ Review your retirement readiness
✓ Discuss your FERS pension benefits
✓ Evaluate your TSP strategy
✓ Review Social Security timing considerations
✓ Discuss retirement income planning
✓ Get answers to your retirement questions

Schedule Your Complimentary Retirement Review Today - we can run multiple reports to help you retire confidently.

- **Social Security Optimization Report**
- **Retirement Income Analysis Report**
- **Federal Benefits Analysis**
- **Roth Conversion Analysis**

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