

The best day to retire



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Choosing the best day to retire can help you maximize your benefits and put you in the best position to make the transition into retirement. This article will cover some of the considerations when deciding what day to retire.

Working an entire period before separating is necessary to receive leave for that pay period. In accordance with the *Employee and Labor Relations Manual (ELM)*, Section 512.731.b, employees whose separation is effective before the last Friday of a pay period do not receive leave credit or terminal leave payment

for the leave that would have accrued during that pay period. For a top-step letter carrier in Leave Category 8 earning eight hours of annual leave and four hours of sick leave per pay period, the difference between retiring on Thursday and Friday at the end of the pay period is around \$450.

Another consideration is based on advanced and earned leave. The later one retires in the year, the more leave they would have earned. Working until the end of the year helps maximize your earned leave and can result in larger terminal leave payments. A larger terminal leave payment will help you bridge the gap while the Office of Personnel Management (OPM) finalizes your retirement and starts your normal (or full) annuity payments. Interim payments are not always enough for people to get by, so having a buffer can be important. However, it's important to remember that for 2024, the maximum terminal leave payment is 520 hours, in accordance with M-01993 in NALC's Materials Reference System (MRS). Without another agreement, the maximum will return to 440 hours in 2025.

What might be the biggest consideration is the time of the month that one retires. Because a Federal Employees Retirement System (FERS) annuity commences the first day of the month following retirement, one generally wants to retire at the end of the month so that their annuity begins immediately. For example, if a FERS employee were unaware of this and they chose to retire June 1, their annuity would not start accruing until July 1. For nearly the entire month of June they

would neither be working nor earning an annuity.

Civil Service Retirement System employees can additionally retire on the first three days of the month and their annuity will commence the following day, giving them a little more flexibility. Remember that there is a difference between entitlement to (or earning) an annuity and receiving the payment for it. OPM issues payments following the month of entitlement. The payment for the month of July comes in the beginning of August.

A smaller and harder-to-calculate consideration hinges on the fact that OPM counts only years and months toward total service. OPM considers a month 30 days, so a total service credit that includes a remainder of 29 days or less will be dropped or lost. For example, a total service credit of 33 years, six months and 15 days will simply equate to 33 years and six months. A retiring employee could attempt to minimize or even eliminate the number of days that OPM will not count by knowing their exact service history. This depends on start date, other service credit, and effect of extended leave without pay, to name a few. However, losing a few days toward one's entire service credit may be *de minimis*, especially given the other factors.

If you are planning to work a different job after retirement, you will want to look at the earnings limit for the FERS Special Annuity Supplement or Social Security. Both of these benefits have an earnings limit of \$22,320 for 2024. Your FERS Special Annuity Supplement, or Social Security benefit as applicable, would be reduced \$1 for every \$2 you exceed the limit. For example, you might retire Sept. 30, knowing your "retirement" job would not exceed the limit in the following three months of the year. Additionally, the earnings limit in the year a person reaches their full Social Security retirement age in 2024 is \$59,520. Exceeding this limit results in a \$1 reduction for every \$3 over the limit until the month the worker turns their full Social Security retirement age.

Figuring out the best day to retire involves balancing all these considerations to maximize one's financial prospects. However, from a practical point of view, most people will do just fine by retiring at the end of the month and/or at the end of a pay period. Ultimately, the day that one chooses to retire will always be a great day.