

**MQFP® Study Guide 4.3: Retirees****Learning Objectives:****4.3 Retirees****a. Analyze a Retiree Account Statement (RAS) for pay, deductions, and allotments**

- Pay Summary:
  - Review "Pay Summary" for accurate calculation of retirement pay.
  - Check for adjustments and special pays
- Deductions:
  - Scrutinize the "Deductions" section for accuracy.
  - Verify withholdings such as taxes and health insurance premiums.
- Allotments:
  - Assess the "Allotments" section to confirm designated funds.
  - Check that allotments for contributions or savings plans align with intended allocations and reflect correct amounts.

**Exercise 1: RAS Analysis**

Analyze a sample Retiree Account Statement (RAS) to identify and understand the components, including pay, deductions, and allotments.

**b. Calculate expected military retired pay direct deposit given the base rate and a list of monthly deductions**

## Calculate Base Pay:

- Begin with the base pay rate provided by the Department of Defense for the specific pay grade and years of service.

## Deduct Monthly Withholdings:

- Subtract authorized monthly deductions from the base pay.
- Deductions may include federal and state taxes, health insurance premiums, Survivor Benefit Plan (SBP) premiums, and other authorized withholdings.

**Exercise 2: Retired Pay Calculation**

Calculate the expected military retired pay direct deposit for a retiree, given the base rate and a list of monthly deductions (e.g., SBP, taxes, health insurance).

**c. Describe Combat-Related Special Compensation (CRSC)**

- Purpose: CRSC is a program that provides tax-free compensation to military retirees with combat-related disabilities.
- Eligibility: To be eligible for CRSC, retirees must have combat-related disabilities that are deemed to be directly related to armed conflict, hazardous duty, simulated war exercises, or

certain types of military operations. The disability does not need to be service-connected through the VA.

**Exercise 3: CRSC Overview**

Describe Combat-Related Special Compensation (CRSC), including its purpose, eligibility criteria, and benefits for retirees with combat-related disabilities.

**d. Describe Concurrent Retirement and Disability Pay (CRDP)**

- Purpose: CRDP is a program that allows military retirees to receive both their full military retirement pay and their VA disability compensation concurrently.
- Eligibility: To be eligible for CRDP, retirees must have a combined VA disability rating of 50% or higher. The disability ratings are based on service-connected disabilities, and the retiree must be rated as at least 50% disabled to qualify for CRDP.

**Exercise 4: CRDP Overview**

Describe Concurrent Retirement and Disability Pay (CRDP), including its purpose, eligibility criteria, and benefits for retirees with service-connected disabilities.

**e. State the tax implications of SBP**

SBP premiums are deducted before tax (ie. SBP premiums are not taxable). The survivor benefit is fully taxable.

**Exercise 5: SBP Tax Implications**

State the tax implications of Survivor Benefit Plan (SBP) annuity payments, including the tax treatment of SBP premiums and the taxable portion of the annuity.

**f. Determine state tax implications of military retired pay given access to reliable resources**

In general, military retired pay is fully taxable. Exceptions are: SBP premiums and any portion of military retired pay that is offset by VA disability compensation.

**Exercise 6: State Tax Implications**

Determine the state tax implications of military retired pay for a retiree residing in a specific state, using reliable resources such as state tax websites or tax professionals.

**g. Estimate expected out-of-pocket medical costs for a retiree using Tricare Prime or Tricare Select given a set of circumstances**

- Tricare Prime Costs:
  - Enrollment Fees: Retirees using Tricare Prime may face an annual enrollment fee.

- Copayments: Minimal or no out-of-pocket costs for in-network services, but copayments may apply for certain services.
- Tricare Select Costs:
  - Annual Deductibles: Retirees on Tricare Select may have an annual deductible for covered services.
  - Cost-Sharing: After meeting the deductible, retirees typically share the cost with Tricare through copayments or cost-shares for covered services.
  - Network Considerations: Out-of-pocket costs can vary based on whether retirees use in-network or out-of-network providers.
- Costs Applicable to Both Plans:
  - Prescription Costs: Retirees may have out-of-pocket costs for prescription medications, depending on the medication tier and whether filled at a network or non-network pharmacy.
  - Catastrophic Caps: Both plans have catastrophic caps to limit annual out-of-pocket expenses for covered medical services.
- Special Circumstances:
  - Preventive Care: Some preventive services may have no out-of-pocket costs.
  - Referrals and Authorizations: Costs may vary based on whether referrals or authorizations are required for specific services.

#### **Exercise 7: Tricare Medical Cost Estimation**

Estimate the expected out-of-pocket medical costs for a retiree using Tricare Prime or Tricare Select, given a set of circumstances (e.g., family size, medical conditions).

#### **h. Evaluate a retiree family's need for a Tricare supplement**

Consider the following:

- Medicare Coverage Gaps: Identify potential coverage gaps in Medicare, as Tricare For Life (TFL) is designed to work with Medicare. A Tricare supplement can help fill these gaps, covering costs such as Medicare Part B deductibles and coinsurance.
- Budgetary Considerations: Evaluate the family's budget and financial situation to determine if they can comfortably manage potential out-of-pocket healthcare costs. A Tricare supplement may provide financial peace of mind by limiting unexpected medical expenses.
- Travel and Residency Plans: Consider the retiree family's plans for travel or potential changes in residency. Some Tricare supplements offer coverage for medical services received outside the U.S., which may be important for families with international travel plans.
- Individual Health Status: Assess the health status of each family member. If family members have chronic health conditions or anticipate frequent healthcare needs, a Tricare supplement might provide additional financial protection.

**Exercise 8: Tricare Supplement Evaluation**

Evaluate a retiree family's need for a Tricare supplement based on factors such as medical needs, out-of-pocket costs, and financial resources.

- i. Determine eligibility for a Health Savings Account if the retiree has Tricare coverage.

In general, a retiree is not eligible for a Health Savings Account if covered by TRICARE. HSA eligible plans must be classified as a high deductible health plans. A retiree covered by TRICARE for Life (TFL) is never eligible for an HSA. TFL has a Medicare component and an HSA is not an option if covered by Medicare.

**Exercise 9: HSA Eligibility Determination**

Determine the eligibility of a retiree with Tricare coverage to open and contribute to a Health Savings Account (HSA), considering the requirements set by the IRS.

- j. Explain the eligibility requirements for a retiree to acquire Tricare For Life (TFL) health insurance coverage

**Age and Retirement Status:**

- Individuals must be eligible for Medicare based on age (usually 65 or older) or other qualifying criteria, and they must be retired from the uniformed services, including the Army, Navy, Air Force, Marine Corps, Coast Guard, the Commissioned Corps of the U.S. Public Health Service, and the National Oceanic and Atmospheric Administration.

**Enrollment in Medicare Part A and Part B:**

- Retirees must be enrolled in both Medicare Part A and Part B to qualify for Tricare For Life. Medicare Part A covers hospital stays, and Part B covers medical services and outpatient care.

**Continued Payment of Medicare Part B Premiums:**

- Individuals must continue to pay the monthly premiums for Medicare Part B. This premium is typically deducted from the retiree's Social Security benefits. If eligible for Social Security but not yet receiving benefits, the retiree must arrange to pay the premiums directly to Medicare.

**Registration in the Defense Enrollment Eligibility Reporting System (DEERS):**

- Retirees must be registered in DEERS, the military's enrollment database, to be eligible for Tricare For Life. DEERS enrollment ensures accurate and up-to-date information about the retiree and their dependents.

**Exercise 10: TFL Eligibility Requirements**

Explain the eligibility requirements for a retiree to acquire Tricare For Life (TFL) health insurance coverage, including the relationship between Tricare and Medicare eligibility.

**k. List actions required when a military retiree acquires a dependent**

Update DEERS Information:

Obtain a Dependent ID Card:

Enroll in Tricare:

- Enroll the new dependent in the appropriate Tricare health plan. Options may include Tricare Prime, Tricare Select, or other plans depending on the retiree's location and the specific circumstances.

Notify Tricare of Life Events:

- Report the addition of a new dependent to Tricare. This may involve contacting the Tricare regional contractor and providing documentation such as a marriage certificate or birth/adoption certificate.

Review and Update Beneficiary Designations

Update Wills and Legal Documents:

Consider SGLI Coverage:

- If the retiree has Servicemembers' Group Life Insurance (SGLI), consider whether to increase coverage or designate the new dependent as a beneficiary.

Explore Education Benefits:

- If applicable, explore and understand any education benefits or opportunities available to the new dependent, such as the Transfer of Education Benefits (TEB) under the Post-9/11 GI Bill.

**Exercise 11: Acquiring a Dependent**

List the actions required when a military retiree acquires a dependent (e.g., marriage, birth of a child) and the impact on benefits and coverage.

**l. Contrast merging/not merging civilian TSP and military TSP for a military retiree who becomes a federal civilian employee**

Considerations for Merging TSP Accounts:

Consolidation for Simplicity:

- Merging TSP accounts can simplify financial management by consolidating assets into a single account. This may make it easier to track contributions, manage investment strategies, and access account information.

Unified Investment Strategy:

- A merged TSP account allows for a unified investment strategy. Retirees can review their overall asset allocation and make investment decisions based on the entire portfolio, considering both civilian and military TSP contributions.

Easier Withdrawal Management:

- Managing withdrawals during retirement may be more straightforward with a single TSP account. Retirees can navigate required minimum distributions (RMDs) and other withdrawal strategies with less complexity.

#### Considerations for Not Merging TSP Accounts:

##### Maintaining Account Separation:

- Some retirees prefer to keep civilian and military TSP accounts separate to maintain a clear distinction between retirement savings from different phases of their career.

##### Differential Investment Strategies:

- Keeping accounts separate allows retirees to maintain different investment strategies for each account based on individual preferences, risk tolerance, and financial goals.

##### Flexibility in Withdrawal Strategies:

- Separate TSP accounts provide flexibility in managing withdrawals. Retirees can choose to withdraw funds from one account while leaving the other untouched, providing more control over the timing and tax implications of withdrawals.

##### Survivor Benefit Plan (SBP) Considerations:

- For those who have elected SBP coverage, keeping TSP accounts separate may be beneficial for estate planning purposes. It allows for more flexibility in designating beneficiaries and considering the impact of SBP premiums.

#### Additional Considerations:

##### Thrift Savings Plan Loan Repayments:

- If there are outstanding TSP loans from both civilian and military service, carefully review the terms and repayment schedules. Merging accounts may impact existing loan arrangements.

#### **Exercise 12:** TSP Merging Decision

Contrast the pros and cons of merging or not merging civilian Thrift Savings Plan (TSP) and military TSP accounts for a military retiree who becomes a federal civilian employee.

#### **Quiz: (Multiple Choice)**

1. CRSC is designed to provide compensation for:

- a) Combat-related disabilities
- b) Retirement annuities
- c) Medical expenses

2. What is the primary purpose of Concurrent Retirement and Disability Pay (CRDP)?
- a) To offset the costs of military healthcare
  - b) To provide additional financial support for retirees with service-connected disabilities
  - c) To provide life insurance coverage for retirees
3. Tricare For Life (TFL) is health insurance coverage for:
- a) Active duty servicemembers
  - b) Military retirees and their eligible dependents
  - c) Disabled veterans

**References:**

- Combat-Related Special Compensation (CRSC), Defense Finance and Accounting Service: <https://www.dfas.mil/retiredmilitary/disability/crsc.html>
- Concurrent Retirement and Disability Pay (CRDP), Defense Finance and Accounting Service: <https://www.dfas.mil/retiredmilitary/disability/crdp.html>
- Tax Implications of SBP, U.S. Department of Veterans Affairs: <https://www.va.gov/survivors/survivor-benefits/sbp-tax/>
- Tricare For Life (TFL), U.S. Department of Veterans Affairs: <https://www.va.gov/health-care/about-va-health-benefits/tricare-for-life/>
- Health Savings Accounts (HSA), Internal Revenue Service: <https://www.irs.gov/publications/p969>
- Thrift Savings Plan (TSP), Federal Retirement Thrift Investment Board: <https://www.tsp.gov/>

\*Answer Key can be found at: <https://mqfp.org/study-guides/8> \*