OCTUS FINANCIAL · FEDERAL EMPLOYEE RESOURCE GUIDE

The Federal Employee's VERA Decision Guide

What to Know Before You Say Yes or No to an Early-Out Offer

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A VERA (Voluntary Early Retirement Authority) offer can feel like an exciting opportunity — or an unsettling ultimatum. Either way, it is one of the most important financial decisions of your life. This guide will help you think through it clearly, the same way I would walk through it with a member of my own family.

> *"The employees who make the best VERA decisions are the ones who run their numbers first — not the ones who decide based on how they feel in the moment."*

SECTION 1 — WHAT IS VERA?

VERA temporarily lowers the age and service requirements for retirement, allowing employees to leave federal service earlier while still receiving an **immediate annuity** — not a deferred one. It is almost always offered alongside a **VSIP (Voluntary Separation Incentive Payment)** — a one-time cash buyout, typically up to $25,000, to encourage you to take the offer.

VERA	VSIP
Lowers age/service bar for an immediate annuity	One-time cash incentive (up to $25,000)
FERS/CSRS: Age 50 + 20 yrs OR any age + 25 yrs	Taxable — plan for the tax impact in the year received
Your position must be covered by your agency's plan	Can sometimes be accepted without VERA if eligible
FERS employees take no annuity reduction under VERA	Often paid as a lump sum; installments vary by agency

SECTION 2 — VERA ELIGIBILITY CHECKLIST

Before you can evaluate the offer, confirm you are actually eligible. Check every item below:

- ☐ **My agency has been granted VERA authority by OPM**
  You cannot take VERA unless your agency has an active, authorized offer — verify with HR directly
- ☐ **My specific position is covered by my agency's VERA plan**
  Not all positions within an agency are automatically included
- ☐ **I have been continuously employed for at least 31 days before the agency's VERA request**
- ☐ **I meet the age and service requirements**
  Age 50 with 20 years of creditable service, OR any age with 25 years
- ☐ **I am not under a final removal decision for misconduct or performance**
- ☐ **I know the window closing date and have confirmed it with HR**
  VERA windows are time-limited — missing the deadline means losing the offer entirely

SECTION 3 — FINANCIAL IMPACT: QUESTIONS TO ANSWER BEFORE YOU DECIDE

This is where most federal employees need the most help. These are the questions I walk through with every client:

Pension & Income Questions
☐ What will my monthly FERS annuity be under VERA vs. waiting?
☐ What is my High-3 average salary and is it fully finalized?
☐ Will I lose the FERS Special Retirement Supplement gap?
☐ How many months of sick leave will I get credit for toward my annuity?
☐ What is my survivor benefit election and what does it cost?
☐ What is my TSP balance and withdrawal strategy?

Tax, Benefits & Social Security
☐ Do I have enough income to bridge the gap to Social Security?
☐ Will I owe taxes on the VSIP payment — and how much?
☐ What does FEHB coverage cost me in retirement vs. active?
☐ Do I have FEGLI coverage and should I keep it?
☐ What is my Social Security estimate and when should I claim?
☐ Do I have other income — spouse, rental, second career?

The FERS Special Retirement Supplement — A Critical Gap Many Miss

> If you retire under VERA **before your Minimum Retirement Age (MRA)** — which is 56–57 depending on your birth year — you will **not receive the FERS Special Retirement Supplement** until you reach your MRA. This supplement can be worth **$500 to $900+ per month**. That is a significant income gap you must plan for. Know your MRA and calculate exactly how long the gap will be before you decide.

SECTION 4 — THE DECISION FRAMEWORK: SHOULD YOU TAKE IT?

There is no universal right answer. The right decision depends entirely on your numbers, your health, your family situation, and your goals. Here is a simple framework:

Consider Taking the VERA if...	Consider Staying if...
✓ You are within 1–3 years of your normal retirement date anyway	✗ You are more than 5 years from MRA with significant income gaps
✓ Your High-3 is at or near its peak and won't grow much more	✗ Your High-3 would increase significantly if you stayed
✓ You have a clear plan for health coverage and income in retirement	✗ You have no clear replacement income or health coverage plan
✓ You have a second career, business, or income source lined up	✗ You would be relying entirely on your annuity before age 62
✓ You have maximized your TSP and have other retirement savings	✗ Your TSP is underfunded and you need more accumulation time

SECTION 5 — YOUR TSP UNDER VERA: WHAT HAPPENS NEXT?

Your TSP does not go anywhere when you retire — but your options and rules change significantly.

Leave it in the TSP

You can leave your money in the TSP and begin taking distributions. Low fees and stable fund options make this a solid choice if you are comfortable with the TSP's limited fund selection.

Roll it to an IRA

Rolling your TSP to a Traditional IRA gives you more investment flexibility, more distribution options, and the ability to do Roth conversions. Often the right move — but do it correctly to avoid a taxable event.

Partial Withdrawal or Monthly Payments

You can take a partial lump sum and leave the rest, or set up monthly payments. Be careful — changes to TSP payment amounts are limited once started.

> ***Important:*** *If you separate from federal service in the year you turn 55 or older, TSP withdrawals are* ***NOT subject to the 10% early withdrawal penalty*** *— even before age 59½. This is a significant advantage of federal retirement that many employees are not aware of.*
>
> ***Critical caveat:*** *This protection only applies while your money* ***remains inside the TSP****. If you roll your TSP into an IRA or any other account before age 59½, you* ***lose this penalty exemption entirely****. Withdrawals from an IRA before 59½ are subject to the standard 10% early withdrawal penalty. Think carefully before moving money out of the TSP if you are under 59½ and may need to access it.*

SECTION 6 — FEGLI & FEHB/PSHB IN RETIREMENT

Two of the most overlooked aspects of VERA planning are your life insurance (FEGLI) and health coverage (FEHB or PSHB for postal workers).

Coverage	Key Rule	What to Watch
FEHB	Must have been enrolled for 5 years before retirement	Premiums increase significantly in retirement — budget carefully
FEGLI Basic	Continues into retirement with age-based reductions	75% reduction by age 65 unless you pay to maintain full coverage
FEGLI Optional	Must elect to continue at retirement — expensive in later years	Many retirees drop optional coverage and buy private life insurance instead

SECTION 7 — USPS / POSTAL WORKERS: ADDITIONAL CONSIDERATIONS

This section applies specifically to **USPS Mail Handlers, Clerks, and career postal employees** considering a VERA offer. Postal workers face unique considerations that general federal employee guidance does not always fully address.

PSHB — Postal Service Health Benefits Program

If you are a career postal employee who retired on or after January 1, 2025, you are now enrolled in PSHB rather than FEHB. PSHB plans are similar to FEHB but specific to postal workers. If you are Medicare eligible, you may be required to enroll in Medicare Part B as a condition of PSHB enrollment. Understand your PSHB premium costs before you decide — they differ from FEHB.

The 2025 VERA — $15,000 VSIP

The 2025 USPS VERA included a $15,000 incentive paid in two installments: $10,000 in August 2025 and $5,000 in August 2026. If a new offer comes, compare the incentive amount carefully — and remember it is taxable income in the year received. Roughly 10,500 employees accepted the 2025 offer. That offer is now closed.

USPS Financial Crisis — What It Means for You

USPS lost $9 billion in FY2025 and $1.3 billion in Q1 2026 alone. The agency hired Alvarez & Marsal — a major restructuring firm — in early 2026. The Postmaster General has told Congress that everything is on the table including workforce reductions. A second VERA round is considered likely by many industry observers before or after the FY2026 close on September 30, 2026. **As of the date of this guide, no official announcement has been made.**

Postal-Specific FERS Supplement Gap

Many postal workers retire earlier than the general federal workforce due to the physical nature of the job. If you retire before your MRA under VERA, the FERS Supplement gap is particularly impactful. Run your specific numbers before deciding — this gap can be $500–$900+ per month.

Union Guidance

> Your union — **APWU, NPMHU, NALC, NRLCA, or NAPS** — will receive and distribute official VERA guidance specific to your craft when an offer is made. Always verify details through your union and HR office, not just third-party sources. A financial advisor can help you interpret the offer — but your union is your first call for eligibility specifics.

SECTION 8 — DON'T FORGET YOUR ESTATE PLAN

A retirement transition — especially an early one — is one of the most important times to review or establish your estate plan. Many federal employees enter retirement without the basics in place.

- ☐ **Revocable Living Trust**
  Avoids probate and allows seamless transfer of assets to your family
- ☐ **Durable Power of Attorney — Financial**
  Allows someone to manage your finances if you become incapacitated
- ☐ **Durable Power of Attorney — Healthcare**
  Allows someone to make medical decisions on your behalf
- ☐ **Last Will and Testament**
  Specifies how your assets are distributed and names guardians for minor children
- ☐ **HIPAA Authorization**
  Allows your healthcare team to share information with designated family members
- ☐ **Beneficiary Designations**
  Review your TSP, FEGLI, and all accounts — these override your will
- ☐ **Survivor Benefit Plan Election**
  This is irrevocable at retirement — make sure your spouse fully understands the trade-offs

SECTION 9 — YOUR NEXT STEPS

Whether or not a VERA offer has been announced for your agency, the best time to get your numbers together is **before** the offer comes — not after. Here is what to do right now:

1. Request your Official Personnel Folder (OPF) and verify your service history is accurate
2. Get your FERS annuity estimate from HR — ask for both your current estimate and what it would be under VERA
3. Log into TSP.gov and review your balance, fund allocation, and withdrawal options
4. Review your FEGLI coverage and understand what it will cost to maintain in retirement
5. Calculate your FEHB or PSHB premium costs in retirement and compare to Medicare Part B costs
6. Check your Social Security estimate at ssa.gov/myaccount
7. Review or establish your estate plan — especially beneficiary designations and powers of attorney
8. Schedule a free VERA review call with a qualified federal retirement advisor

Ready to Run Your Numbers?

Schedule a free, no-pressure VERA Review Call with Mia Smith. We will walk through your specific situation — pension, TSP, FEHB, Social Security, survivor benefits, and more. No products sold. No obligation. Just clarity.

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