



## Retirement Years: How Much Money Will I Need?<sup>1</sup>

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### How Much Money Will You Need?

The amount of money needed for a financially secure retirement depends for the most part upon your age, your health, family composition, and your lifestyle goals for retirement. There is no easy answer to the question of "How much money should I save for retirement?" You can, however, make a plan that will provide you with a good estimate of the amount you will have available and the amount you will need to save. Define your goals, and set priorities among them. Periodically, as your goals, inflation rate, interest rates, income sources, and taxes change, you will need to review and revise your plan.

### What Are Your Sources Of Retirement Income?

You need to determine where the money will come from to achieve your retirement goals. The amount you will need to save will depend upon your potential retirement income, which may come from these major sources:

**Pension and retirement plans.** It is important for you to understand your pension plan. Pensions and retirement plans, on average, provide 18% of retirement income. You need to have answers to the following questions:

- How many years does it take to be fully vested? That is, how long must you work to receive benefits? It is common for an employee to become fully vested after 5 or 10 years.
- What happens to your pension if you are laid off, change jobs, or take early retirement?
- Will another year or two of work significantly increase your pension benefits?
- Will your pension be reduced by the Social Security benefits that you receive?
- What survivor options are available? How will these options affect your monthly benefit?
- What are the withdrawal options under your pension plan? You may have to choose between a lump-sum payment and a variety of annuity plans. If so, this decision will be crucial to your

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long-term financial welfare. Both options (lump sum and annuity) have advantages and disadvantages that you must weigh for your own situation.

- Your employer will provide you with a booklet explaining your pension plan. Review it, then talk to your benefits administrator about how the plan applies to you.

**Social Security.** While Social Security provides a portion of retirement income for most retired Floridians (about 22%), it was never meant to be the only source of retirement income. You can begin receiving Social Security benefits as early as age 62. But, if you choose this option, you will receive a smaller monthly benefit. Your benefits will be decreased, depending on your age, by about 25%. It is also important to remember that any cost-of-living increases will be based on this reduced amount. If you delay retirement beyond your retirement age, these benefits will be permanently increased by as much as 8% per year. If you choose to continue working after beginning to receive Social Security benefits, you may lose some of your benefits. **However, once you reach your full retirement age, your Social Security benefits will not be reduced regardless of how much you earn.**

Once you have started receiving Social Security benefits, if your incomes from various sources exceed a certain amount, you may have to pay federal income taxes on a portion of your Social Security benefits. In 2007, the threshold amounts are \$25,100 for individuals, \$34,000 for couples filing joint returns, and zero for couples filing separate returns. Ask your local Social Security office to explain how "income" is figured for this purpose. Also ask for a "Request for Statement of Earnings" card. If you fill it out and mail it in, the Social Security Administration will send you a statement showing the Social Security earnings that have been credited to your Social Security number to date. It is a good idea to verify these records at least every three years. Social Security usually mails you a card with this information three months before your birthday. Also see the Social Security leaflet entitled "How Work Affects Your Benefits" at <http://www.ssa.gov/pubs/10069.html>.

**Medicare.** This four-part insurance program operated by the federal government limits your financial obligations because you won't have to use your own money for items covered by Medicare. Part A, the hospital insurance plan, is available to most Floridians age 65 and over, whether or not they are retired. You should file for coverage at least 3 months before reaching age 65. Part B, the medical insurance plan, is a voluntary program that covers certain doctors' services and other items not covered under part A. You must pay a monthly premium for part B. Part C, Medicare Advantage, is available in some locations. Health care services are provided by prescribed facilities. Part D covers prescription drugs. For more information, contact your local Social Security office.

**Do-it-yourself pensions.** If you have income from work, you may be eligible for an Individual Retirement Account (IRA). If your employer offers a 401(k) plan, you may take advantage of that, too. And if you have income from self-employment, you may be eligible for a Keogh plan, plus an IRA and a 401(k).

These do-it-yourself pensions help you in three ways: (1) Under certain conditions, the part of your income that you put into the plan may qualify for tax deferment; (2) interest or dividends earned by your plan accumulate tax-free during your working years; and (3) normally you will be in a lower tax bracket when you start receiving payments from your do-it-yourself plan(s).

For each option, check current tax laws to determine the amount you can invest and the withdrawal requirements, including penalties for early withdrawal. These amounts change frequently. For the 401(k), also determine if your contributions will affect your pension from your employer, since such pensions are usually figured on *taxable* earnings during the final years of employment.

**Income from employment.** Approximately 24% of retirement income comes from current employment. Many older Floridians supplement their retirement income with part-time work, an income-producing hobby, a new career, a home-based business, or a combination of these.

**Income from home equity.** Your home equity can be a source of retirement income. You can sell your home, buy or rent a more modest home, and then use the remaining cash for retirement expenses or investments. Options also include reverse mortgages, sale/leaseback arrangements, and other methods of tapping your home equity while remaining in your home. (See Table 1 for an explanation of each option.)

**Income from nonproductive assets.** Assets, such as coins, stamps, china, silver, and crystal, can be converted into cash and can then be invested to create retirement income. Valuable items you can't sell can be donated to a charity and deducted on your tax return, if you itemize deductions. Every dollar you save in income taxes is a dollar you can spend or invest.

**Other sources of income.** Once you retire, it may be feasible for you to cut back or eliminate some insurance policies. The money you save on premiums can be used for other retirement expenses. With professional advice, you may want to evaluate various options for your life insurance: discontinuing coverage, converting to annuities, changing to paid-up insurance for continued protection but at a reduced face value, cashing in some policies and using the proceeds for income-producing investments, or borrowing against the loan value of certain policies to buy securities. Your first consideration, of course, is whether your spouse, children, or other dependents will need your life insurance protection.

You may be in line to receive an inheritance or the proceeds of someone else's life insurance. To the extent you can realistically anticipate this income, you may take it into account in planning your retirement income.

## Where Will The Money Go?

According to the U.S Bureau of Labor Statistics' most recent data (2005), the percentage of expenditures per category for the average 65-year-old can be found in Table 2.

In planning your retirement spending, consider carefully each expenditure category – both the routine, essential items like food and utilities and the

desirable, optional, big-ticket items like a tour of Europe. Determine how much you are now spending in each category, how much you expect to spend in your early and later retirement years, how much will be spent if you or your spouse or companion dies, and how much flexibility you have in adjusting these expenditures. Also think about how you can cut down or substitute in each category.

For the big-ticket, optional items, list each one, put a price tag on it, and indicate where the money will come from to obtain it. For example, you can research the tour of Europe now, find out what it costs today, estimate what it will cost when you want to go, and plug that amount into your tentative retirement budget.

The following are some of the major retirement expense categories to analyze:

- **Housing:** Compare costs of new retirement housing and the costs of maintaining or renovating your current housing to make it more suitable for your retirement.
- **Medical expenses:** On average, Medicare covers less than half of health care expenses. Investigate supplemental health coverage now. Perhaps your employer's group health care insurance can provide you with supplemental insurance in retirement.
- **Other insurance:** Continue insurance protection on your automobile, home, personal property, and liability.
- **Transportation:** If you have two cars, consider the savings you will reap by selling one of them – the cash from the sale, plus savings on gasoline, maintenance and repairs, and replacement items like tires, insurance, and registration fees. Before deciding to sell one car, see if public transportation in your retirement location can fill most of your needs. And discuss this change with anyone else who would be affected by it.
- **Food, clothing, personal items:** Living on a relatively fixed income provides many retirees with a strong incentive to apply various cost-cutting devices, such as unit pricing,

discount coupons, generic brand products, special and seasonal sales, and buying in bulk.

- **Travel, entertainment, hobbies:** Look into off-hours and out-of-season travel, "twofers" (two tickets for the price of one), and the senior citizen discounts that are available for many forms of travel, accommodations, food, and entertainment.
- **Gifts for children or loved ones:** Set guidelines for your giving and monitor them with an eye toward changing your plans if these expenses begin to cut too deeply into your basic needs. Your first obligation is to yourself.
- **Dependent care:** If you think you may need to contribute financially to someone else, do some basic planning for it now. Discuss the potential costs with doctors, nursing home administrators, and insurance agents. Are all the parties involved insured? With whom can such responsibilities be shared?

## How Much Should You Save?

To estimate the amount you should save, study the estimates made by Jim and Jane Sample, a fictional couple who are in their mid-forties. Their situation is discussed along with each step of the process, and calculations are entered in the first column of the worksheet. (See Table 3.) You will be able to use the second column, Plan A, for your calculations, and the third column, Plan B, to try other alternatives, such as delaying retirement or increasing income.

To estimate savings needed to finance your retirement, you will need to make some assumptions.

**1. Estimate your life expectancy.** Currently, women who reach age 65 can expect to live about 20 additional years. Men of the same age can expect to live about 15 additional years. Married couples at age 65 have a joint life expectancy (the total time one or the other can be expected to live) of 25 years. If you have a family history that indicates these predictions may be wrong, you may want to plan for a longer period of time. Planning for too short a period of time may cause you to run short of funds. (The Samples

expect to retire at age 65 and to be retired for 25 years, so they entered 25 on the first line of the worksheet.)

**2. Determine the number of years you will work before you retire.** (The Samples intend to work for 20 more years and have entered 20 on the next line.)

**3. Make calculations in today's dollars.** This assumption eliminates the need to account for taxes or inflation for living expenses and asset accumulations. However, you will need to reduce the amount of your pension benefit to account for taxes, as discussed in the following section.

**4. Assume that the net rate of return on savings and investments is 2%.** This method assumes that you will keep your savings and investments at least 2% ahead of taxes and inflation. For investments that are tax-sheltered, such as IRAs and 401(k) plans, deduct only the inflation rate from the rate of return when calculating this 2% lead. Then analyze your rate of return each year to make sure you actually achieve this goal.

**5. Assume that the expected value of your assets is zero upon your death or your spouse's.** If you desire to leave an inheritance for the next generation, do not include these funds in your retirement assets. (The Samples plan to use most of their assets in retirement.)

## What Financial Data Do You Need?

The next step is to gather the data needed to make calculations.

**1. Current living expenses.** Total your current living expenses, taking into consideration the reduction in food and household operating costs when your children leave home (or when you cease contributing to their support). Transportation costs are likely to take up the same percentage of your income after retirement as they did before it. However, you may wish to include an amount for supplemental medical insurance and out-of-pocket medical expenses if your employer currently covers this expense. You may decide not to include an amount for savings, because retirement is the time to

spend your savings. Your resulting calculation will be a rough approximation of what your yearly retirement living expenses will be in current dollars and the amount you will need to spend to maintain your desired lifestyle in retirement. Also, you may use 70 to 95% of your current salary as the amount you will require for living expenses in retirement. If your income is at minimum wage or slightly above it, you will need to use 75 to 80% of current income for your retirement income estimation.

- The Samples earn a total of \$50,000 per year. Jim earns \$30,000 and Jane earns \$20,000. They plan to replace 75% of their current income and have entered \$37,500 on the worksheet (line 1) ( $\$50,000 \times 0.75 = \$37,500$ ).

**2. Income expected from Social Security and pensions.** Social Security and pension income from federal, state, and company plans are estimated in gross amounts before taxes. Pensions and up to one-half of Social Security benefits may be taxable, depending on the amount of your total income. To compensate for the effect of taxes, record these estimated amounts in after-tax dollars. One way to keep your calculations simple is to reduce the amount of taxable pension income by at least the lowest tax-bracket, plus an additional percentage for states which have state and local income taxes. For instance, multiply by 0.90 (1.00-0.10—the lowest tax bracket in 2007 for Florida). If you do not reduce the amount of your pension income, the final amount you need to save will be underestimated. (Remember, Florida currently has no state income tax.) Next, estimate after-tax benefits from Social Security and federal, state, or company employment pensions.

It is almost impossible to predict Social Security benefit levels for 20 or more years in the future. A rough estimate can be made by using today's benefit levels, assuming that you will work until you are 65, that you have worked continuously, and that you have received average pay raises. You also assume your income will remain the same until you retire and that there will be no additional inflation. In other words, the estimates for yourself and your spouse are in today's dollars, and are estimates only. Use the Social Security Administration "Request for Earnings and Benefits Statement" form or go to the Social Security

Web site at <http://www.ssa.gov> and use the calculator to estimate benefits. Do not reduce the amount of your Social Security benefits if your retirement income will be \$25,000 or less (if single), or \$34,000 or less (if married) (for 2007).

- Jim expects to receive \$12,564 in Social Security benefits, based on working at least 35 years under Social Security at a current salary of \$30,000. Jane expects to receive \$9,352, based on working 35 years at a current salary of \$20,000. Their total is \$22,416, which they wrote on line 2a ( $\$12,564 + 9,852 = 22,416$ ). The Samples' targeted retirement income is below the base (\$34,000) that will cause partial taxation of Social Security benefits, so they made no adjustment for taxes.

**Federal retirement programs.** Federal employees hired before 1984 who belong to the Civil Service Retirement System (CSRS) can estimate their benefits from Table 4. Federal employees hired after 1983 in the Federal Employees Retirement System (FERS) will find a similar formula in Table 5. Tables 4 and 5 do not include reductions for joint and survivor annuities.

*Remember:* Reduce this amount to account for federal and state taxes as discussed. For example, if your CSRS pension will be \$20,000, estimating 10% federal taxes (in Florida, there are no state and local taxes) yields the following: ( $1.00 - 0.10 = 0.90$  and  $\$20,000 \times 0.90 = \$18,000$ ). Only about 90% of your federal pension is subject to federal taxes.

- The Samples have never worked for the federal government.

**Florida State Retirement System.** Florida state employees participating in the state retirement system may estimate their benefits using Table 6.

*Remember:* Reduce the amount of your pension to account for federal income tax.

- The Samples have never worked for the state of Florida.

**Other defined-benefits pensions.** In a defined-benefits plan, the benefit is established by a formula, and the employer contributes whatever is

necessary to fund the benefit. For an exact calculation, and to find your employer's reduction for a joint and survivor annuity, consult your employer's "Summary Plan Description" booklet, which you should have in your possession. Please remember that private companies are reassessing benefit plans, often moving from defined benefits to defined contribution, where the employee assumes responsibility for his/her pension security.

*Remember:* Reduce these amounts to account for income taxes, as discussed previously.

- Jim expects to receive a pension of \$10,110 based on his current salary of \$30,000 and 40 years of work. He has multiplied his pension by 0.85 ( $1.00 - 0.15 = 0.85$ ) and entered \$8,593 on the worksheet ( $\$10,110 \times 0.85 = \$8,593$ ). This is to account for 15% federal income tax. (The Samples are in the 15% tax bracket in 2007.) Jane does not have a defined-benefit pension and makes no estimate here.

**Additional amount needed for retirement income.** In this step, you will subtract your Social Security and pension income (line 2) from your projected retirement living expenses.

- The Samples subtracted their estimated Social Security and pension income of \$31,009 from the \$37,500 they hope to have as retirement income and entered the result of \$6,491 on line 3 of the worksheet ( $\$37,500 - 31,009 = \$6,491$ ).

**Additional savings in current dollars.** The amount you need to save depends on the number of years you plan to live in retirement and the rate of return you will earn on your savings. The worksheet (line 4) contains a table that will help determine the lump sum you will need to fund your future retirement benefits. The multiplication numbers in the table (line 4) assume that, after taxes and inflation, your savings will grow at least 2% over what was invested in the previous year. To use the table, multiply the appropriate number for the number of years you plan to be retired by the amount of additional retirement income needed (line 3). You will notice that each factor is slightly smaller than the number of years in retirement. This is the result of your assets earning interest. If you were not earning

interest, you would simply multiply the number of dollars needed by the number of years the resulting income would be paid. The resulting additional savings needed represent the single lump sum you need at retirement to fill the gap between expected income and expenses.

- The Samples think they will need retirement income for 25 years. They used the appropriate number, 19.5, and multiplied it by \$6,491 (line 3), the additional income they need to fund their retirement, and discovered they need to save \$126,575 by the time they retire ( $\$6,491 \times 19.5 = \$126,575$ ). While this looks like a huge sum to them, they have forgotten that this is the total sum and does not include any of their current retirement savings.

**Total value of assets owned.** Include in this category the savings and investments that you do not plan to spend before retirement and the cash value of your vested benefits in a money-purchase pension, a profit-sharing plan, or thrift plan at work. If you intend to sell your home and use the proceeds for retirement income, include the current value of your house.

- Jim and Jane Sample have joint retirement savings of \$30,000, including \$10,000 in Jane's tax-sheltered annuity, which she and her employer, the local hospital, fund jointly. They also maintain and will continue to maintain in retirement an emergency fund of \$5,000, which is not included here because they do not intend to use this money for regular retirement expenses. They enter \$30,000 on line 5.

**Value of assets at retirement.** The value of your assets at retirement can be determined by multiplying the factor that allows the assets you have currently saved to be compounded at 2% per year by the lump sum you identified in the previous step (line 5).

- Since the Samples plan to work 20 years more, they multiplied the number 1.49 from the table by \$30,000. Their assets will be worth \$44,700 (line 6) by the time they retire ( $\$30,000 \times 1.49 = \$44,700$ ).

**Revised annual savings still needed.** To establish the amount you still need to save, subtract the value of your assets in retirement (line 6) from the additional amount you still need to save (line 4).

- The Samples estimated that they needed \$126,575 by the time they retire and have subtracted \$44,700, the value of their current retirement savings at the time they retire. They then discovered that they still need to save \$81,875. ( $\$126,575 - \$44,700 = \$81,875$ ).

**Amount to save each year.** If you can make your savings earn at least 2% after taxes and inflation, the amount you need to save each year is reduced by the amount of the earnings. To determine the annual contribution to your retirement fund, multiply one of the factors from the table in line 8 on the worksheet by the savings still needed (line 7).

- The Samples will retire in 20 years, so the appropriate factor to use to determine yearly savings is 0.041 (from Table on line 8 page 12). When they multiply 0.041 by \$81,875, they find the additional amount they need to save before they retire. The Samples discovered they need yearly savings of \$3,357 ( $\$81,875 \times 0.041 = \$3,357$ ).

**Amount to save this year.** The amount your employer contributes to money-purchase, thrift, and profit-sharing plans reduces the amount you need to save. Subtract your employer's contribution this year (line 9) from the amount you need to save (line 8).

- When the Samples subtract the \$750 that Jane's employer contributes each year to her tax-sheltered annuity (which is a money-purchase plan) from \$3,357, the gross amount they need to save is \$2,607 or \$217.25 per month. Jane also contributes \$750 per year to the tax-sheltered annuity, reducing the amount of additional savings needed to \$1,875 or \$154.75 per month.

Once you have determined the amount you should save each year, remember that this amount is only an estimate based on the preceding assumptions. Be sure to recalculate these amounts whenever the assumptions change and at least every 3 years until

you are 10 years from retirement. After that time, new calculations should be made each year. Do not forget to include amounts you contribute to IRAs, tax-sheltered annuities, and tax deferred plans as a part of the amount you save each year. If you cannot currently save this amount, save as much as possible and look for ways you can reduce your spending so you will have the amount available as you recalculate next year.

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**Table 1.** Retirement Income Options for Home Owners

<p><b>Reverse mortgage.</b> The lender pays the homeowner in monthly payments. The amount of the payment is determined by the amount of the loan, the interest rate, and the number of years of the loan. The loan is repaid when the homeowner dies, sells the home, or at a scheduled time.</p> <p><b>Sale/leaseback or life tenancy arrangement.</b> You sell your property to a bank or other financial institution and retain the right to live in the house for a specific time. The bank pays you for your house in monthly installments over the agreed time period, and pays such obligations as home insurance, taxes, and repairs. The monthly installment usually comes from a deferred payment annuity that the bank buys to guarantee your income.</p> <p><b>Deferred payment loan.</b> These are generally provided to low-income persons at a low interest rate by a local government. They permit the homeowners to defer payment of all payment and interest until the homeowner dies or the house is sold.</p> <p><b>Homeowner equity accounts.</b> These are offered nationwide by brokerage houses and banks. They allow the homeowner to set up a line of credit secured by a lien against the home. The maximum amount of equity would be equal to 70% of the equity accumulated in the house. The homeowner can draw on this credit by using a credit card or writing a check. The loan must be repaid over a specified time that begins when the loan is secured. Payments are not deferred.</p> <p><b>CAUTION:</b> These and other financial arrangements affecting your housing could endanger your financial resources if not understood completely and chosen wisely. Good legal, tax, and financial advice is essential.</p>
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**Table 2.** Average Expenditures in 2005 (65 Years and Older) by Percent\*

Food: 12.7%	Entertainment: 4.9%	Contributions: 5.6%
Housing: 33.7%	Personal Care: 1.4%	Insurance/ Pensions: 5.4%
Transportation: 15.7%	Clothing: 2.9%	Other: 3.8%
Education: 1.1%		
*Total average expenditures in 2005 were \$32,866 per consumer unit.		



**Table 3.** Estimating the Amount to Save: Worksheet

		The Samples	Plan A	Plan B
<b>Assumptions</b>				
The number of years you expect to be retired.		25		
The number of years until you plan to retire.		20		
Expected value of your assets at your death and your spouse's.		0		
<b>Calculations:</b>				
1. Projected annual retirement living expenses in current dollars.		(1)	\$37,500	
2. Estimated Social Security and pension income				
2a. Social Security			\$22,416	
2b. Federal Pension				
2c. State Pension				
2d. Defined Benefit Pension			\$8,593	
Total (2a, 2b, 2c, and 2d).		(2)	\$31,009	
3. Additional amount needed for retirement income. Subtract (2) from (1).		(3)	\$6,491	
4. Additional savings needed in current dollars				
Number of Years in Retirement	Multiplication number <sup>a</sup>			
10	9.8		19.5	
15	12.8	Multiply line 3 by the multiplication number that matches your planned number of years in retirement.		
20	16.4			
25	19.5			
30	22.4			
35	25.0			
40	27.4			
<sup>a</sup> These factors are equal to the present value of an annuity. The formula is $F = 1 - (1 + r)^{-n}/r$ where $r$ = the rate of return and $n$ = the number of years in retirement.				
Additional savings needed.		(4)	\$126,575	
5. Value of assets currently owned.		(5)	\$30,000	
6. Value of assets at retirement.		(6)	\$44,700	
7. Revised annual savings still needed				
7a. Additional savings needed		(4)	\$126,575	
7b. Subtract value of assets at retirement.		(6)	\$44,700	
7c. Annual savings still needed.		(7)	\$81,875	
8. Amount to save each year.				

**Table 3.** Estimating the Amount to Save: Worksheet

Number of years until retirement.	Multiplication number					
5	0.192			0.041		
10	0.091					
15	0.057					
20	0.041					
25	0.031					
30	0.025					
35	0.020					
40	0.017					
<sup>a</sup> These factors represent the reciprocal of the future value of an annuity. The formula is $F = r / (1 + r)^{n-1}$ where $r$ = the rate of return and $n$ = the number of years until you retire.						
Amount to save each year			(8)	\$3,357		
9. Amount to save this year after deducting employer's contributions, money-purchase, thrift, or profit sharing plans. Subtract employer's contributions from (8).			(9)	- \$750		
Final yearly savings amount.				\$2607		
Monthly amount (divide by 12).				\$217.25		

**Table 4.** Estimate of Civil Service Retirement Benefits

<p>To estimate Federal Civil Service benefits for other income levels, use the following formula.*</p> <ol style="list-style-type: none"> <li>1. Average your highest 3 years of earnings.</li> <li>2. Multiply the above average by 0.015, times 5 for the first 5 years of service.</li> <li>3. Multiply the average by 0.0175, times 5 for the next 5 years.</li> <li>4. Multiply the average by 0.02, times the remaining years until you plan to retire.</li> <li>5. Total 2, 3, and 4 to establish the annual amount of your annuity.</li> <li>6. If a joint survivor annuity is chosen, reduce the first \$3,600 of these amounts or a lesser base amount by 2.5% and the remainder by 10%. The survivor receives 55% of the base amount selected.</li> </ol> <p>*Or contact your personnel office for information.</p>
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**Table 5.** Estimate of FERS Benefits

<p>To estimate benefit levels for FERS:</p> <ol style="list-style-type: none"> <li>1. Average your highest 3-year earnings.</li> <li>2. Multiply the resulting average by 1% for each year of service. If you have reached age 62 and 20 years of service, your average can be multiplied by 1.1%, instead of the 1% reflected in Table 3.</li> </ol> <p><b>Years of Creditable Service</b>                  "Years of creditable service" is the total of all years and parts of years you worked in a covered position with an FRS employer, plus any additional service credit that you purchase.</p>
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**Table 6.** Estimate of Florida Retirement Benefits

<b>Retirement Benefit Formula</b>				
The formula for calculating a yearly option 1 benefit is:				
<b>Years of Creditable Service</b>	<b>x</b>	<b>Percentage Value</b>	<b>x</b>	<b>Average Final Compensation</b>
			<b>=</b>	<b>Yearly Option 1 Benefit at Normal Retirement</b>
<b>Yearly Benefit / 12 = Monthly Option 1 Benefit</b>				