



**Lloyd D. Watnik**  
*We Understand Government*  
<http://www.lloydwatnik.com>

7487 Margerum Avenue  
San Diego, CA 92120  
Phone 619-857-5207  
Fax 619-582-9993

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## **Newsletter for July 2016**

I have gotten several questions from Government employees and retirees about the Windfall Elimination Provision (WEP). It affects Social Security benefits for people who have worked for any entity that doesn't deduct OASDI (aka FICA) from the paycheck and pays a pension to the retiree. The Social Security check can be reduced by as much as \$428 per month. The amount of the deduction changes each year. The amount of the deduction is established in the year you turn 62. The deduction can be lower if you have over 20 years of substantial earnings. This is the website that tells you about substantial earnings: <https://www.ssa.gov/pubs/EN-05-10045.pdf>.

The people who are affected include federal, state and municipal employees. Lately across the country, people have elected to roll their pension account into a 401k, thinking that doing this will avoid WEP. It doesn't work. Social Security will figure out how much the pension would have been.

If you have any questions about WEP, contact me and I will help.

Federal retirees be careful with rolling your TSP into an IRA or an annuity. 2/3rds of retired employees do this. It is a mistake in virtually every case. Due to the TSP's low management fees, it can rarely be beaten.

I was told by a financial planner that the problem with the TSP is the limited number of funds that your money can be invested in. That will

change sometime in 2017. The TSP is picking a financial investment company, with the lowest possible fee, to give you access to most mutual funds available. I will give you information about this as soon as it becomes available.

Happy 4<sup>th</sup> of July.