

PREMIUM CONVERSION FINANCIAL WORKSHEET

Use the following worksheet to estimate your annual tax savings with premium conversion, and to estimate the effect of premium conversion on Social Security retirement benefits.

Part One Taxable salary.

1. Enter your current annual salary.	
2. Enter your annual FEHB premium payment (biweekly premium payment multiplied by 26).	-
3. Subtract #2 from #1. This is your taxable salary with premium conversion.	

Part Two Tax savings.

1. Enter your annual FEHB premium payment (as entered in Part One, #2).	
2. Enter the sum of: (a) Your Federal income tax bracket (0.0, 0.15, 0.28, etc.), and (b) Social Security tax (0.062), if applicable to you, and (c) Medicare tax (0.0145).	x
3. Multiply #1 by #2. This is an estimate of the annual amount of tax you avoid with premium conversion.	=

Note: Additional savings on State and local income taxes, if any, are not included for the purpose of simplifying this estimate.

Continue with Part Three of this worksheet if you are covered by the Federal Employees Retirement System or by Social Security only. Part Three should not be used by employees covered by either the Civil Service Retirement System (CSRS) or the CSRS-Offset System. Employees covered by CSRS are not subject to Social Security tax and people covered by the CSRS Offset plan receive a higher annuity from OPM if their Social Security benefit is reduced.

Part Three An estimate of the annual gain in Social Security benefits at retirement (in today's dollars) when you waive participation in premium conversion.

To complete this part, you must access the Social Security Administration web site, www.ssa.gov, using the Instructions on the next page. If you do not have access to the Internet, your Human Resources office can help you.

1. Use the instructions entitled "Using the SSA Web Site Calculator." Enter your estimated monthly Social Security benefit at retirement (Step 5) WITHOUT premium conversion.	
2. Use the instruction entitled "Using the SSA Web Site Calculator." Enter your estimated monthly Social Security benefit at retirement (Step 7) WITH premium conversion.	-
3. Subtract #2 from #1. This is the difference in Social Security retirement benefits.	
4. Multiply #3 by 12.	X 12
5. This is the estimated annual Social Security benefit increase over a 35-year career.	
6. Divide by 35	÷ 35
7. This is the estimated Social Security benefit you earn for each year you waive premium conversion.	=
8. Enter the annual amount of tax you save with premium conversion from Part Two, #3.	
9. Divide the amount in #8 by the amount in #7. This estimates how many years of Social Security retirement benefits are needed to make up for the additional taxes you paid by not participating in premium conversion. Because most people receive Social Security for about 20 years, you may want to consider waiving premium conversion if this number is less than 20.	=

Note: when you reduce your taxable salary by your annual health benefits premium in the SSA benefit calculator, the model assumes a different salary over your entire career (35 years for Social Security benefit calculation purposes).

Using the SSA Web Site Calculator to Complete Part Three:

Step 1	Go to www.ssa.gov/retire on your internet.
Step 2	The first box in the left-hand column menu is labeled "Calculators." Use your mouse to click on this box.
Step 3	A new screen will appear with three boxes in the center. Use your mouse to click on the first box, "1. Quick."
Step 4	Follow the instructions on how to use the calculator. You will need to use this calculator twice (Steps 5 & 7).
Step 5	Enter your age, current salary, and select the "Today's Dollars" option in the menu list for the third item on the calculator. Click on the button "Submit Request" and a calculation will appear. Enter the figure for your estimated monthly Social Security benefit in Part Three, #1.
Step 6	Use the "Back" button on your browser to return to the calculator.
Step 7	Enter your age, salary with premium conversion (Part One, #3), and select the "Today's Dollars" option in the menu list for the third item on the calculator. Click on the button "Submit Request" and a calculation will appear. Enter the figure for your estimated monthly Social Security benefit in Part Three, #2.