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The Veterans Retirement Blueprint

FERS, TSP, VA disability, and the paycheck they actually add up to

Five decisions move the most money.
Each one maps to a tab in a free calculator
that shows you your own number — and where
a number stops being enough.

FOR VETERANS & MILITARY FAMILIES

Why this is harder than it looks

A veteran I worked with had it mapped out in one line: “Pension, TSP, VA check — I’m set.” Then he sat down with the actual numbers and found a handful of decisions he’d never weighed, each one worth real money. A sick-leave balance he was about to forfeit by separating the wrong way. A stretch of low-income years that was the most valuable tax window he’d ever own, sitting unused. A VA check his plan was quietly under-counting because it never showed up on a tax return.

Military and federal retirement is its own animal. Your income doesn’t arrive as one number — it arrives in four streams that each behave differently, and the gap between the gross total and what lands in the account is where the surprises live. You may walk out the door years before Social Security starts, so the pension, the TSP, and the VA comp have to carry a long bridge. And the state you retire to can quietly reset the whole math.

This Blueprint walks the five decisions that move the most money. For each one, it names the trap, points you to the tab in our free calculator where you see your *own* number, and shows you where a number stops being enough. Everything here is educational and illustrative — general figures, not your actual benefits, and not advice. The point is to put real numbers in front of you, then put them in context together.

DECISION 1

The FERS annuity and the unused-sick-leave trap

The problem. Most federal folks know the FERS pension is “1% times your high-3 times your years.” What surprises people is how much the small print moves the check. Two pieces do most of the damage. First, the multiplier has a hidden upgrade: if you walk out the door at age 62 or later with at least 20 years of service, that 1% becomes **1.1%** — a 10% bump on the whole annuity, for the rest of your life, just for crossing two lines on the same day. Cross them on a Tuesday and you locked it in; retire the Friday before you turn 62, or one month short of 20 years, and you didn’t. Second, and this is the one that quietly costs people the most: your unused sick leave. Under FERS, the hours you never burned get converted to creditable service at 2,087 hours to the year and added to your annuity — but *only if you retire on an immediate annuity*. If you separate first and take a deferred annuity later, every one of those hours is forfeited. Gone. A career nurse or a long-tenured employee can be sitting on 1,500, 2,000, even 3,000 hours — close to a full extra year of service — and lose all of it by leaving the wrong way. That is the trap: a benefit you earned hour by hour, erased by the order in which you do two things.

The bridge nobody plans for. If you retire before 62 with the years to qualify, FERS pays a Special Retirement Supplement — a monthly bridge that roughly approximates the Social Security you earned in federal service, paid until 62 when Social Security itself can start. It is real money, but it is fragile: it stops at 62 (and can end sooner if you become eligible for Social Security), and before then it is subject to an earnings test — earn over the annual wage limit (about $24,480 in 2026) from a job and the supplement is cut $1 for every $2 over. Plenty of new retirees take a second-act job, blow past the limit, and watch the bridge they were counting on shrink without warning.

Open the “FERS Annuity + Sick Leave” tab. Put in your high-3 average salary, your years and months of service, your unused sick-leave balance in hours, your age at separation, and your retirement path — “Retire now as an employee” versus “Separate first, defer the annuity.” The tab gives you your **Estimated annual basic annuity (this path)** up top, then breaks out the detail line by line: **Sick leave converted to service**, **Total service for computation (this path)**, the **Multiplier applied** (so you can see whether you caught the 1.1%), the **Annual annuity — retire as employee** against the **Annual annuity — separate first, defer**, and — the number that names the trap — the **Difference the sick-leave credit makes**. There’s a callout titled **“The sick-leave detail most estimators miss”** and a **“Things to weigh”** verdict box. Move the path selector from “Retire now” to “Separate first” and watch the credit — and your annuity — drop to zero on the sick leave. That swing is what walking out the wrong way costs you.

Why a number isn't a plan. The tab shows you the size of the sick-leave credit and whether your date catches the 1.1% multiplier. It can't tell you whether holding on a few extra months to clear 20 years at 62 is worth it for *your* life, how the Special Retirement Supplement and its earnings test fit your second-act plans, or how to sequence your separation date so you keep every hour you earned. A date on a calculator is a fact; the right date is a decision — and that's the 15-minute call.

DECISION 2

The Roth conversion window: the quiet years before RMDs

The problem. There is usually a stretch between the day the active-duty or federal paychecks stop and the day Required Minimum Distributions force money out of your traditional accounts — at 73, or 75 if you were born in 1960 or later. For a lot of veterans that stretch is wide open: the military pension may not have started yet, the TSP is sitting untouched, and Social Security is still years off. On paper it looks like a lean year. It is actually the most valuable tax year you will ever own.

Here is the trap. In those low-income years you can move pre-tax TSP, IRA, or 457 money into a Roth and pay the tax now, at a low bracket, instead of letting that balance compound quietly into a much larger RMD — and a much larger tax bill — a decade later. The money you do not convert does not disappear. It waits, it grows, and eventually the IRS makes you take it out on its schedule, not yours, often in a higher bracket and stacked on top of Social Security. Convert too little in the quiet years and you waste the window. Convert too much in one year and you spill over your target bracket, or you trip the IRMAA Medicare surcharge — which in 2026 kicks in at $109,000 of income for a single filer and $218,000 married filing jointly, and reaches back two years to set your premium. The whole game is filling the bracket without spilling over it.

There is a second layer most veterans never get told about, and it is the reason this window can be unusually generous: where you live. In Connecticut and New York, your military retired pay is 100% state-exempt, no income limit. In Connecticut that exempt pay is also excluded from the federal-AGI test that governs the state's pension and IRA deduction — so your "countable" income against the state ceiling stays low, which means more room to convert before the state exemption erodes. In Florida there is no state income tax at all, so no state ceiling applies. The state you retire to is not a footnote. It quietly resets how much of this window you can actually use.

Open the "TSP Roth Conversion Window" tab. Put in your filing status, your state of residence, your other taxable income before any conversion, your military retired pay (shown for context — it is state-exempt and does not count against the test), the federal bracket you want to stay under, and whether you are on or near Medicare. The headline that comes back is **"Illustrative amount you could convert this year."** Below it the tab breaks out exactly which ceiling is stopping you — labeled **"What's holding the room (binding ceiling)"** — and then shows each ceiling separately: **"Room under your federal bracket," "Room under IRMAA tier 1,"** and **"Room under your state exemption."** It finishes with **"Rough federal tax on a full-room conversion"** so you see the cost of using the whole window in one year. The conversion room the tab reports is always the lowest of the three ceilings, so the number it gives you is one you could act on without overflowing any of them. Move your inputs and watch which ceiling takes over as the binding one — for a Connecticut military retiree it is often the state exemption, not the federal bracket, that binds first.

Why a number isn't a plan. A single year's conversion room is one move. A conversion *strategy* is a multi-year sequence — threaded against when your pension and Social Security turn on, the state exemption you are trying to preserve, the IRMAA cliffs with their two-year lookback, and the year your RMDs begin. The tab shows you one year's headroom; it cannot sequence the next ten for you, or weigh whether converting at all beats leaving the money in the TSP. That sequencing is exactly what the free 15-minute call is for. Bring this tab's number and we'll look at the whole runway, not just this year's slice.

Disclosure on the stay-vs-roll question, because it sits right next to this one: the TSP is hard to beat on cost. The G Fund — special U.S. Treasury securities whose principal never declines — exists nowhere else, and the TSP reports total *expenses around 0.034% on the G Fund, lower than the vast majority of investment options anywhere. An IRA gives you a far wider menu but often at higher cost. If you later became a client and rolled TSP assets to Sirmium, the firm could earn a fee on those assets — so we'd put the TSP's rock-bottom expense ratios and the IRA's flexibility on the table side by side and let you weigh both, before any rollover. A Roth conversion inside the TSP and a rollover out of the TSP are two different decisions; don't let one get sold to you as the other.*

DECISION 3

Your VA rating, valued the right way: tax-free income most plans under-count

Read this first. Whether a condition qualifies for a VA rating, and at what percentage, is decided solely by the VA — a medical and procedural call. This section does not check eligibility, predict a rating, or tell anyone they should pursue one. It does one thing: it shows the dollar value of a rating you already have, so that value can take its proper place in your income plan.

The problem. A veteran with a VA rating is usually carrying a stream of income that never shows up the way it should in a retirement plan, because it never shows up on a tax return. VA disability compensation is excluded from gross income — no 1099, no federal tax, and because every state starts from your federal income, no state tax either. That is the quiet part most planning misses. A dollar of tax-free VA compensation is not worth a dollar of pension or a dollar of traditional-TSP withdrawal; it is worth more, because the others get taxed on the way out and this one doesn't. When you compare income streams dollar-for-dollar, you under-count the one the veteran actually earned the hard way. The same blind spot shows up on the VA home loan, where a veteran receiving compensation is generally exempt from the funding fee — a fee a non-exempt borrower pays in the thousands on a typical purchase. And for retirees, there's a second layer most people never see laid out plainly: when military retired pay and VA compensation collide, the law historically offset one against the other dollar-for-dollar, and two programs — CRDP and CRSC — exist to restore it. One is taxable and roughly automatic at higher ratings (CRDP is automatic at a 50%-or-higher combined rating with 20-plus years of retirement-qualifying service); the other is tax-free but combat-related and has to be applied for. Which one fits is real money, and it is exactly the kind of thing a number alone won't decide.

Open the "VA Disability Value" tab. Enter a rating you already have, your dependent status, the combined marginal tax rate you think you're in, and — optionally — a taxable withdrawal this income could replace and a home-loan amount. It shows your **"Tax-free monthly VA compensation (at this rating)"** as the headline, then your **"Tax-free annual VA compensation,"** the **"Equivalent taxable income (at your rate)"** — what you'd have to draw from a taxable account to net the same money — the **"Tax a like-size withdrawal would cost,"** and a side-by-side of the **"VA home-loan funding fee — non-exempt (first use)"** against the **"VA home-loan funding fee — exempt veteran"** ($0). At the default 50% veteran-alone rating it reads $1,132.90/mo, about $13,595/yr tax-free; at 100% with a spouse it's $4,158.17/mo. Change the rating and the dependent status and watch the value move.

Why a number isn't a plan. Knowing what a rating is worth tax-free is the easy half. The planning is what you do with that knowledge: leaning on the tax-free stream so you can leave a traditional TSP alone in a high-bracket year, or sizing a Roth conversion in the room the tax-free income leaves open, or weighing CRDP against CRSC if retired pay and VA comp are colliding in your case. The calculator can't read your whole tax return, and it can't make the CRDP-versus-CRSC election — that's a year-by-year decision tied to your combat-related rating, your overall rating, and how each is taxed. That's the conversation. Bring this tab to the 15-minute call and we'll fit the number into the rest of the picture.

DECISION 4

Your real retirement paycheck: pension, TSP, Social Security, and VA, stacked

The problem. Your gross pension is not your paycheck. A military retiree's income doesn't arrive as one number — it arrives in four streams that each behave differently, and the difference between the gross total and what actually lands in the account is bigger than most people picture. Your military retired pay is federally taxable. Your TSP draw is taxable if it's traditional and tax-free if it's Roth. Your Social Security is partly taxable — but it is not reduced by your military pension (military service pensions never triggered the old WEP/GPO offsets). And your VA disability compensation is completely tax-free and stacks on top of everything else. Stack those four together, subtract a federal bill and, depending on where you live, a state bill, and the "gross-to-net" gap is where the surprises live.

Two things trip people up. First, the quiet power of the tax-free dollar: because VA disability is excluded from every tax base, a $1,500-a-month VA check buys more than $1,500 of taxable pension does — it adds to your net without adding a cent to your tax bill. Second, where you retire changes the math more than people expect. Connecticut and New York both exempt military retired pay 100% and exempt Social Security from state tax, so in those states your taxable base is mostly the traditional-TSP draw — which is exactly the lever the Roth-window decision is about. Florida takes no state income tax at all. The same four income streams, moved across a state line, can net you a meaningfully different paycheck.

One more wrinkle the gross number hides: concurrent receipt. If you're a 20-plus-year retiree with a VA rating of 50% or higher, CRDP lets you collect your full retired pay *and* your full VA comp — they stack. But under a 50% rating without CRDP or CRSC, the old VA waiver can still offset your retired pay dollar-for-dollar by your VA comp. Same gross on paper, very different net in the bank.

Open the "Military Paycheck" tab. Enter your filing status and state, your monthly military retired pay (or compute it from your High-3 under either High-3 at 2.5%/yr or BRS at 2.0%/yr), your TSP type and balance and annual draw rate, your monthly Social Security, and your monthly VA disability. The headline you'll see is **"Estimated net monthly income."** Underneath, the tool breaks the stack out line by line: **Military retired pay (monthly)**, **TSP withdrawal (monthly)** (flagged "Roth, tax-free" if that's your type), **Social Security (monthly)**, and **VA disability (monthly, tax-free)**. Then it sums them into **Gross monthly income**, subtracts **Federal tax (rough est.)** and **State tax (rough est.)**, and shows your **Effective tax rate**. Change your state from Connecticut to Florida to New York and watch the state line — and the net — move.

Why a number isn't a plan. Seeing the four streams stack into one net number is the easy part. The plan is in the levers: how hard to lean on the traditional-TSP draw versus pacing Roth conversions in your low-income years, when to claim Social Security so the bridge holds, whether a move across a state line is worth it, and how concurrent receipt actually applies to your record. The calculator can show you the snapshot — it can't sequence those decisions against the rest of your picture. That's the 15-minute call. Bring your DFAS retired-pay figure, your TSP balance, and your VA award letter, and the conversation has everything it needs to start.

DECISION 5

The Survivor Benefit Plan: the near-permanent call you make on your way out the door

Read this first. There is no calculator tab for this one — and that is the point. The Survivor Benefit Plan is not a number you look up. It is a near-permanent decision you make once, on a short clock, and then live with for the rest of your life. This section names the trap and the clock; the conversation is where it gets decided.

The problem. Your military retired pay stops the day you die. SBP is the election that turns part of it into a lifetime, inflation-adjusted check for your spouse after you are gone. Decline it, and your spouse gets nothing from your pension. Elect it, and 6.5% of the base amount you choose comes out of your retired pay every month while you are alive, and 55% of that base amount goes to your survivor for life, rising with annual cost-of-living adjustments.

Three things turn this into a trap rather than a checkbox. First, the clock and the lock. You make this election at retirement, and it is generally irrevocable — there is exactly one narrow window, between the 25th and 36th month after you enroll, to back out, and even that requires your spouse's written, notarized concurrence. Second, the default works against the inattentive. If you are married and simply do nothing, the law enrolls you in full spouse coverage automatically; the only way to take less, or none, is for your spouse to sign a written, notarized concurrence. A decision this size should be made on purpose, not by silence. Third, people compare it to the wrong thing. SBP is partially subsidized by the federal government and it carries a COLA, which a fixed term-life policy does not — but term life can be cheaper while the kids are young and the mortgage is large, and it leaves money to anyone, not just a surviving spouse. Neither is automatically right. The math depends on your health, your spouse's age, your other assets, and what else is already standing behind your family.

There is no SBP tab — but the number it eats is right there in the calculator. **Open the "Military Paycheck" tab.** It shows your **Estimated net monthly income** at the top, then breaks the stack into **Military retired pay (monthly)**, **TSP withdrawal (monthly)**, **Social Security (monthly)**, and **VA disability (monthly, tax-free)**, down to **Gross monthly income** and your **Effective tax rate**. SBP is a slice off the top of that **Military retired pay (monthly)** line — 6.5% of the base amount you would elect, withheld before tax, so it also trims your taxable income a little. Run the paycheck once as it stands. Then picture 6.5% of your base amount coming out of the retired-pay line every month, against 55% of that base amount — COLA-adjusted — landing in your spouse's hands the month after you are gone. Seeing the live cost against the live paycheck is what makes the SBP question concrete instead of abstract.

Why a number isn't a plan. The premium is arithmetic. The election is not. Whether to take SBP, how much base amount to cover, and whether term life or some mix carries part of the load — that turns on your health, your spouse's age and her own benefits, your TSP and other assets, and the fact that this is one of the few money decisions you genuinely cannot take back. This is the section above all others to bring to the 15-minute call, and to bring before you sign your retirement papers, not after — because once the door closes, the only key is a narrow window two years out that needs your spouse's notarized signature. If you are anywhere near a retirement date, put SBP at the top of the list for the call.

> **Also worth knowing — CRDP, CRSC, and the "widow's tax" repeal.** Three concurrent-receipt facts are worth carrying into the call. If retired pay and VA compensation collide in your case, CRDP (taxable, generally automatic at a 50%-or-higher rating with 20-plus qualifying years) and CRSC (tax-free, combat-related, and applied for through your service branch) restore pay the old VA waiver took back — you can't collect both at once, and the election is made annually. And for survivors: the SBP-DIC offset — the old "widow's tax" that docked an SBP annuity dollar-for-dollar against VA Dependency and Indemnity Compensation — was fully eliminated as of January 1, 2023, so eligible surviving spouses may now receive both in full. None of these is a calculator output. Each is a year-by-year, record-specific call — exactly the kind of thing the 15 minutes is for.

NEXT

Read it. Run it. Then let's read it together.

The Blueprint names the five decisions. The calculator shows you *your* numbers — free, no strings, run it as many times as you like. But a number is not a plan. A sick-leave credit, a conversion ceiling, a tax-free VA stream, a four-part paycheck, an SBP election — each only becomes a plan when it's read in the context of everything else you've got going on, and sequenced in the right order. That last step is a short conversation to start.

Bring these three numbers and 15 minutes is plenty:

1. Your **TSP balance and type** (traditional, Roth, or both)
2. Your **DFAS retired-pay figure or High-3** and years of service
3. Your **VA award letter** — plus any other accounts (an IRA, a spouse's FERS or TSP)

Step 1 — Run your numbers: the Veterans calculator. When you run it, you'll see a button right under your results to book the same 15 minutes with our CIO, William Harrison.

Step 2 — Or skip straight to the call: book a free 15-min call. Fifteen minutes, your numbers, straight answers — no follow-up unless you ask. If SBP is even a maybe for you, book before you sign your retirement papers, while the election is still open.

Eslyn Hernandez Jr. — Vice President, Head of Marketing, Sirmium Capital. The planning conversation is led by our registered adviser. Ask us about referrals — if this was useful, someone you served with might want the same look.

SOURCES

Sources & disclaimer

Figures current as of 2026; refresh annually. Primary sources: OPM FERS Information — Computation (1% / 1.1%-at-62-with-20-years multiplier; high-3 definition) and Creditable Service (unused sick leave converted at 2,087 hours = 1 year, credited 100% on an immediate annuity for separations on or after Jan 1, 2014, and forfeited on a deferred annuity); SSA / FedTools (2026 FERS Special Retirement Supplement earnings limit, about $24,480, reduced $1 for every $2 over, wages and self-employment only); IRS — RMD age 73 (75 if born 1960 or later, SECURE 2.0) and Rev. Proc. 2025-32 (2026 federal brackets and standard deduction, $16,100 single / $32,200 MFJ); CMS (2026 IRMAA tier-1 thresholds, $109,000 single / $218,000 MFJ, with a two-year lookback); Connecticut OLR Report 2025-R-0152 (100% military retired-pay deduction; pension/IRA exemption AGI bands, with the full IRA-distribution deduction reaching 100% beginning in 2026); NY Department of Taxation and Finance (military retired pay exempt; $20,000 pension/annuity exclusion at 59½+); TSP.gov (G Fund special U.S. Treasury securities; expense ratio about 0.034%); IRS Pub. 525 and VA.gov (VA disability compensation excluded from gross income); VA.gov 2026 disability compensation rates (effective Dec. 1, 2025; 50% veteran-alone $1,132.90/mo, 100% veteran-alone $3,938.58/mo, 100% with spouse $4,158.17/mo) and VA funding-fee exemption; DFAS / MOAA (CRDP and CRSC concurrent-receipt rules, taxability, and annual election; offset phased in from 2004 and fully eliminated by 2014); SSA Social Security Fairness Act (military service pensions did not trigger WEP/GPO); and myArmyBenefits, DFAS, and CRS R45325 (Survivor Benefit Plan: 6.5% premium, 55% annuity, COLA, automatic spouse default, written/notarized concurrence, and the 25th-to-36th-month termination window), plus militarypay.defense.gov (SBP-DIC offset repeal effective Jan. 1, 2023). State treatment is described generally; Connecticut's Social Security exemption is not literally universal at the highest incomes. Re-confirm any hard figure or deadline against the issuing agency before you act.

This is an educational illustration, not advice or a guarantee. Every figure here and in the calculator is hypothetical and general. It is not a recommendation, not a projection of your actual benefits, and not tax or investment advice. Whether you qualify for a VA rating, or a higher rating, is the VA's decision alone — this Blueprint only illustrates the value and tax treatment of a rating you already have; it never determines or predicts eligibility. Your real numbers depend on your record with OPM, DFAS, the TSP, and the VA, your tax situation, and law that can change. Confirm everything with those agencies, the TSP, and your own CPA or tax adviser before acting. Sirmium Capital, LLC is a New York State-registered investment adviser; registration does not imply a certain level of skill or training. If you become a client and roll TSP or other assets to us, Sirmium may earn fees on those assets — weigh the TSP's very low expense ratios against an IRA's flexibility before any rollover. Eslyn Hernandez Jr. is Vice President, Head of Marketing — he markets the firm and does not provide investment advice; the planning conversation is led by the firm's registered adviser, CIO William Harrison.