

Introduction

A Career For Foreign Service Spouses

Before 1972, being a “Foreign Service spouse” was a career. Today, the question is not whether a Foreign Service spouse should have a separate career, but how the spouse manages a career along with the other requirements of the mobile Foreign Service lifestyle. There is a new outlook – a more imaginative and flexible view – of what constitutes a spouse “career.”

Once, a career was considered a path – one was trained in his/her youth and then followed that “path” to positions of increasing responsibility until retirement. In that context, the employment history of a Foreign Service spouse with its frequent moves and lack of continuity seemed to be an aberration. In today’s world, however, most Americans have 8 to 10 jobs and 2 to 4 career changes during their working life, and a career is not seen as a path but as a process. Changing careers, either voluntarily or as a result of economics or technology, has become the norm. Both men and women now choose to take time out to raise a family, to become retrained, or to continue their education. Myriad resources have been developed to assist people in their career process. Psychologists and counselors have produced self-assessment tools; schools have designed new curriculums for retraining; technology has produced computer-assisted career planning programs, job information hotlines, resume and application-form software. Thousands of books have been written on every aspect of the career process.

In the Foreign Service, spouse employment issues have been recognized by senior management as important factors in hiring and retaining employees. Establishment of the Family Liaison Office (M/DGHR/FLO) within the Department of State’s Bureau of Management symbolized this recognition. FLO was mandated to respond to the needs of Foreign Service families as they cope with disruptions caused by their mobile lifestyle and service abroad.

FLO Employment Service

To increase opportunities for family member employment, the Family Liaison Office (FLO) provides employment counseling to individuals, employment planning workshops, and edits the *Network: Washington Area Jobs*. The FLO employment personnel negotiate bilateral work

Definition of Family Member

In this publication, the definition of a Foreign Service family member for employment purposes (Eligible Family Member or EFM) may differ from the definition used in other Foreign Service regulations (e.g. travel or education). Wherever possible, the definition for employment purposes will be spelled out.

agreements with foreign governments, facilitate functional training opportunities for spouses, and advocate for regulatory changes to improve conditions for employment. FLO also produces information resources on employment issues. FLO's employment programs are available to family members in all the Foreign Affairs agencies and in other agencies when under the U.S. mission umbrella. For information about any of these programs, call or write:

The Family Liaison Office (M/DGHR/FLO)
Room 1239
Department of State
Washington, DC 20520-7512
Telephone: 202-647-1076/800-440-0397
FAX: 202-647-1670

FLO Web Site

The Family Liaison Office has an Internet web site (www.state.gov/www/flo) attached to the State Department site. Internet users can access information on employment, download some publications and order others online. You can e-mail FLO staff members by clicking on their names on the staff list. (For information about accessing Internet web sites, see Chapter 3, **Using the Internet in the Job-Search.**)

For those with access to the State Department's Intranet, the FLO site is <http://hrweb.hr.state.gov/flo/flo.html>

Individual Counseling

FLO staff members provide individual counseling to Foreign Service family members on all types of employment issues. Counseling is designed to highlight available resources and to get the family member “pointed in the right direction.”

Employment Planning Workshop

The Employment Planning Workshop, sponsored jointly by FLO and the Overseas Briefing Center (OBC), is aimed specifically at the needs of the mobile Foreign Service family member. Although the workshop is composed of stand-alone one-day components, it is most beneficial for the family member to attend the entire workshop. The investment in career planning, the networking opportunities, and the mutual reinforcement of other participants have been cited as important reasons for attending the workshop.

The workshop components contain the following material:

1. The Job-Search and Employment Choices
 - Life, employment and personal issues
 - Job-search process
 - Self-assessment
2. Targeting the Job Market (MQ 704, part 1)
 - Resumes
 - Networking
3. Targeting the Job Market (MQ 704, part 2)
 - The DC job market
 - Interviewing Techniques
 - Federal Government employment
4. Interview Practice and Visit to Career Development Resource Center
5. Post Options for Employment and Training (MQ 703)

For information about all Overseas Briefing Center courses, contact the OBC at the following address:

Overseas Briefing Center Rm. E2126
National Foreign Affairs Training Center
4000 Arlington Blvd.
Arlington VA 22204
Telephone: 703-302-7268 (Course Registration)
Telephone: 703-302-7276 (Information Center)
FAX: 703-302-7452

State Department Intranet site for FSI: <http://fsiweb.fsi.state.gov/>

Preparing to Go to a U.S. Post Abroad

The OBC has information about all U.S. missions abroad in their Information Center. In addition, there are a number of courses designed for those getting ready to go abroad. See Chapter 7, **Employment Abroad**, for more information.

The Network Washington Area Jobs

The *Network: Washington Area Jobs* is a bulletin published by FLO that lists Washington area employment opportunities in both the Federal Government and private sector, and provides job-hunting tips and information. The *Network* is available via e-mail or regular mail. Anyone interested in receiving this newsletter should contact the Employment Program Specialist in FLO.

Work Agreements

The Family Liaison Office continues to work on establishing bilateral work agreements and de facto work arrangements that permit spouses of official U.S. Government employees to work on the local economies of host countries abroad. For more information on bilateral work agreements and de facto work arrangements, see Chapter 7, **Employment Abroad**.

Functional Training Program

To increase their employability, family members with assignments abroad have an opportunity to enroll in consular, administrative, and various computer courses at the Foreign Service Institute (FSI), although strictly on a space-available basis. FLO coordinates the application and registration process with regional bureaus and FSI. For more information on functional training, see Chapter 6, **Federal Government Employment**.

Eastern European Russian Family Employment Program (FEP)

Under this program, U.S. citizen family members of Foreign Service and other U.S. Government employees assigned to Eastern European and Russian posts are recruited, hired, and trained for budget, personnel, consular, general services, and other positions at post (subject to budget cuts). FLO works with regional bureaus and FSI to facilitate this program. For more information on the FEP program, see Chapter 7, **Employment Abroad**.

Professional Associates Program

The Professional Associates Program was established to fill staffing deficits in consular positions abroad caused by reduced junior officer (JO) intake and to increase employment opportunities for eligible family members of personnel assigned to U.S. missions. For more information concerning this program, see Chapter 7, **Employment Abroad**.

Family Member Appointment

The Family Liaison Office and the State Department's Personnel Office of Overseas Employment have developed a new employment mechanism for many non-career family members working on State Department appointments at Foreign Service posts abroad. With the implementation of the FMA, family members will receive Federal employee benefits (including a Federal retirement pension, the Thrift Savings Plan, life insurance, health insurance, and coverage under Social Security) while working at State jobs abroad. For more information about the Family Member Appointment, see, Chapter 7, **Employment Abroad**.

All the information resources described below can be found in the Family Liaison Office in the Department of State. The FAMER, Adult Education Opportunities, and the Child Care Report are also sent to post.

- **Family Member Employment Report (FAMER)** Twice a year, FLO asks every U.S. mission to list all positions inside and outside the mission (including freelance employment) that are currently filled by family members. All year long, CLO Coordinators will post current job announcements on a FAMER bulletin board. The FAMER also indicates whether work permits are required, if there is a bilateral work agreement, and what are the most useful skills to have at post. There is usually a short narrative on the general employment situation for family members at post.

FAMER on the Intranet

The FAMER is on the State Department's Intranet web page. Use Internet Explorer to access the State Department's home page. Once on the homepage, click on Director General/Bureau of Human Resources which is under Management (M). From there, click on HR Offices to find the Family Liaison Office. Individual FAMER reports can be viewed and/or printed using the index of posts.

- **Child Care Report.** Information about the availability of child care at U.S. posts abroad is essential to many Foreign Service family members who wish to work, tandem couples, and single parents. FLO requests information from every post on child care facilities including post programs, local day care and nursery school programs, and the availability of home care.

- Direct Communication Project Papers. A number of papers of interest to the Foreign Service community have been developed by FLO. Those concerned with employment include the following:
 - #2 Bilateral Work Agreements and De Facto Work Arrangements for FS Family Members
 - #9 Executive Order 12721 on Noncompetitive Eligibility
 - #12 FAST-TRAIN Foreign Affairs Spouses Teacher Training Project
 - #16 Functional Training for FS Family Members
 - #17 Guidelines for Describing Volunteer Activities
 - #20 Overseas Briefing Center Course Lists
 - #21 Overseas Employment Information for Teachers
 - #28 Adult Education Opportunities

**Career
Development
Resource Center**

The Family Liaison Office has arranged for Foreign Service spouses to use the Department of State's Civil Service Career Development Resource Center (CDRC). Confidential career counselors are available by appointment to provide information and guidance to help individuals identify and implement sound career moves. They can also critique a client's resume or Federal application against a specific job announcement.

The Career Resources Library contains books, pamphlets, newspapers, newsletters, audio and video tapes covering topics such as self-assessment, career information, personal growth and life planning, job hunting strategies and management development.

Computer software includes the following:

- "FOCIS: Federal Occupational Career Information System" which contains specific information about Federal occupations and organizations, including a 560-occupation data base;
- "Careerpoint," a complete career development package customized for State Department employees that consists of modules on self-assessment, goal-setting, planning and action, as well as specific information on bureaus, position descriptions, the Individual Development Plan and other information;
- "This Week's Federal Job Openings in the D.C. Area" lists all Federal job vacancies in the D.C. area and is updated every Monday; and
- "Training Information Program (TIP)" which provides information on different training programs based on skill, subject, provider, type, location, length, and cost.

CDRC clients may use computer resources to prepare job-search materials and to access the Internet to collect career information.

Career Development Resource Center
2401 E Street, NW, Room L 321, SA-1
Washington, DC 20522-0108
Telephone: 202-663-3042
FAX: 202-663-3146
Intranet site: <http://hrweb.hr.state.gov/cdrc/index.html>

**Other
Employment
Resources**

The Washington area contains vast resources for conducting employment or career research. Local newspapers publish special sections on employment issues regularly. State and local government agencies offer many employment services; public libraries have special sections with employment information. The Federal Government and private industry hold job fairs almost every weekend. Local colleges and universities provide career guidance and counseling and many professional organizations have skills banks or job hotlines. For more information on these resources, see Chapter 4, **Job-Search Techniques**.

**Your
Employment
Portfolio**

Every Foreign Service family member should maintain an employment portfolio – a complete and permanent collection of your work history and a cumulative record of accomplishments. Consider this portfolio a living document that grows with each job or volunteer activity. The portfolio should contain all essential papers, updated application forms, letters of recommendation, personnel actions, and college transcripts.

Hand-carry the employment portfolio when transferring or leaving post because of an evacuation. Having to recreate it is time consuming and could cause you to lose an employment opportunity.

Federal Employment. Keep copies of all personnel actions (SF-50's) and performance evaluations in the employment portfolio. This would include SF-50's for entrance on duty, any promotions or changes in schedule, and termination. SF-50's verify U.S. Government service and Executive Order 12721 eligibility. Family members working abroad in part-time, intermittent, or temporary (PIT) or Family Member Appointment (FMA) positions should receive a performance evaluation. You should never assume that your Federal personnel records have been retained by the agency for which you worked. It is your responsibility to retain them. For more information on Executive Order 12721 eligibility and performance evaluations, see Chapter 6, **Federal Government Employment** and Chapter 7, **Employment Abroad**.

Evaluations, Letters of Recommendation, and Commendations. Government supervisors are required to write a Performance Appraisal Report JF-57 (PAR) for any work lasting 120 days or more. The employee usually provides information for the preparation of this report.

Letters of recommendation and certificates of commendation should be kept in your employment portfolio. Be sure to ask for letters of recommendation before relocating. Save the originals and offer copies to future employers. If you cannot get a supervisor to write a letter of recommendation, offer to write your own and have the supervisor sign it. You should also keep letters verifying volunteer work and community involvement, because relevant unpaid work can be credited toward qualification for Civil Service positions in the United States. For information about documenting volunteer service, see Chapter 11, **Volunteer Options**.

Good Idea File

Keep a card file of all business contacts and networking leads. Write on the back of the card any identifying information such as where you met the contact, who referred you, etc. All the cards can be kept in a card case with other important employment papers.

References. Accurate lists of names, titles, addresses, and telephone numbers of persons to be used for references should be kept in your employment portfolio. When listing references, try to use those who can be easily contacted by a prospective employer. Also, make sure you have permission from the person you plan to use as a reference. For more information about choosing and using references, see Chapter 9, **Applications and Resumes**.

Other Portfolio Items. When going abroad, your employment portfolio should contain stationery, business cards, and your file of employment leads. If any of your information is on computer disks, take the disks and the appropriate software program. If you have made any advance contacts about job opportunities, be sure you have the names and addresses. Any other networking leads should also be kept in this file.

Although not part of the employment portfolio, when going overseas, you should pack appropriate clothing for any interviews. For information about dressing for interviews, see Chapter 10, **Interviews and Job Offers**.

Employment Portfolio Checklist

- Resumes (including old ones), resume data sheet, and samples of previous cover letters.
- Current Federal Application package and copies of previous SF-171's and other applications.
- Copies of job announcements for all positions held.
- All SF-50 personnel action forms.
- Copies of recent earnings and leave statements.
- Performance evaluation reports.
- Certificates of awards, honors, and citations for good performance.
- Paperwork relating to the Professional Associates Program, or Family Member Appointment.
- Copies of citizenship or naturalization papers, if not born in the United States.
- Transcripts from colleges and universities. Evaluations of any foreign education credentials.
- Workshop certificates.
- Letters of recommendation.
- Letters verifying volunteer work and community involvement.
- Certificates, credentials, licenses, verifications of special skills.
- Portfolio of work samples, e.g., brochures, handbooks, artwork, writing samples.
- Newsletters, clippings and program notes indicating your participation in an event and/or award received.
- Accurate lists of names, titles, addresses, and telephone numbers of persons to be used for references.
- Copies of forms used to apply for security clearances.
- Names of contacts to use in developing a job-search network.

Employment Options

Today's workplace can offer a number of options to the traditional 40 hour/5 days a week job. Among the available options are job-sharing, flexible work places, and flexible time schedules.

Job-Sharing

Job-sharing is an alternative work schedule in which two people perform one job. It is a viable way to offer part-time work schedules in positions where full-time coverage is needed. Many workers, especially those with child care or elder care responsibilities, do not want to maintain a full 40-hour schedule for their entire career. Individuals who have health

problems, certain handicapping conditions, or who want to pursue other interests may also be interested in working on a reduced schedule.

A recent government survey found that 14 percent of Federal workers who resigned did so for the following reasons:

- the desire to pursue nonwork interests or continue education;
- difficulties in getting adequate day care;
- personal health problems; or
- unsatisfactory working hours or shifts.

The availability of part-time work schedules might have made it possible for at least some of these employees to remain with the government.

There are definite advantages to job-sharing from the employer's standpoint: recruiting and/or retaining highly qualified personnel who wish part-time schedules; uninterrupted, full-time coverage; a wider range of skills brought to the job; reduced turnover; and greater productivity resulting from higher energy levels. Job-sharing can also offer an alternative to layoffs when full-time employees are willing to reduce hours. Overtime can be kept down if job-sharers increase regularly scheduled hours. The disadvantages of job-sharing include greater supervisory requirements, lack of continuity, need for more office space and equipment, and greater benefits costs.

There is no definitive list of jobs "suitable" for job-sharing. The State of Michigan found a key element in successful job-sharing was not the particular set of duties, but the qualities of the job-sharers themselves and the support they received from the organization.

Making Job-Sharing Work

For a job-sharing arrangement to work, "three C's" must be in place: **coordination, cooperation, and communication.**

Coordination of all aspects of the job-sharing arrangement between the sharers and their supervisor is essential. Answers to the following questions must be understood and agreed to by all the participants:

- How are duties allocated between job-sharers?
- How do job-sharers divide the work week?
- Are job-sharers evaluated separately or together?
- What are space and equipment needs?
- How can a job-sharing arrangement be terminated?

Cooperation is key to making a job-sharing arrangement work. Both sharers must be committed to the concept — there is nothing worse than a job-sharing arrangement between two people who each thought they were applying for a full-time job. This is no place for competition.

Job-sharing is a bit like marriage — **communication** is vital. Without it, the job splinters into many separate projects and tasks and loses its wholeness. For job-sharing to be truly successful, everyone with whom the job-sharers have contact must be able to assume that any information given to one team member will reach the other. In other words, supervisors, coworkers, and clients expect to communicate with “the position” via the person on duty at the time. The job-sharers must have a workable communication system that serves the purpose without detracting from their ability to get the work done.

Flexible Work Schedules

Flexible work schedules (flexitime and flexiplace) are ways that managers can retain quality employees with family needs, as well as improve morale, organization, planning, and prioritizing. As with any innovation, there are initial misgivings. Employers are concerned about a lack of coordination with staff, long-term projects taking longer, questions not being answered, and work being shifted to other employees. The employees worry about not being viewed as serious, committed workers, handling the same portfolio in less time, staying informed, and making sure their work is not a burden to other staff members.

Job-Sharing Tips

- Note down and inform each partner about everything that has happened in the other's absence.
- Accept each partner's uniqueness (and appreciate it if possible).
- Realize that jobs can be accomplished in many different ways.
- Take advantage of each partner's strengths.
- Be tolerant of each partner's weaknesses.
- Undertake your share of the job fully — work 20 hours per week when you are hired for 20 hours.
- Discuss vacation plans, days off, desired schedule changes well in advance, and keep your supervisor informed.
- Compromise on days off during holidays and in the summer.
- Discuss problems with your supervisor that cannot be resolved between the two of you.
- Be mature and professional.
- Do not discuss with friends and acquaintances problems you may have with your partner – it is a private matter.
- Do not create a superior-subordinate relationship.
- Do not be judgmental.
- Remember—job-sharing is the ultimate form of teamwork.

To make flexible schedules work, adjustments must be made, staff and group meetings may have to be rescheduled, planning and organizing of projects must be given careful attention, instructions must be made clear, and priorities must be redefined.

Flexible Workplace

The flexible workplace or flexiplace has been defined by the President's Council on Management Improvement as "working one or more days at home or in an office very near home, rather than in the traditional office, often using a computer and a modem to transmit data or information over telephone lines."

A flexiplace arrangement may include the following:

- Home-base: working in a space specifically set aside as an office and/or an area in the employee's residence;
- Satellite facility: working in an office near the employee's home. Satellite center employees work there because it is

close to their home; they do not necessarily belong to the same work unit; and

- Cooperative Administrative Support Unit: working in a geographically convenient extension of a headquarters office.

Jobs that are adaptable to a flexiplace program should have easily quantifiable tasks (data processing, word processing), project-oriented tasks (thinking and writing), or reading/processing tasks (reading proposals and reviews, making funding decisions, conducting research).

There are many management benefits to a flexiplace program:

- Improved employee effectiveness and morale;
- Reduced office, parking, and transportation costs;
- Improved communications between supervisor and employee;
- Retention of skilled employees and reduction in employee turnover;
- Decline of absenteeism;
- Accommodation of trained employees with health problems while they are still able and want to work; and
- Carryover of benefits of management-by-results to other parts of the organization.

Employee benefits include the following:

- Reduced commuting time;
- Increased flexibility to coordinate work schedules with personal and family priorities;
- Ability to capitalize on peak productivity periods;
- More control over one's life;
- Reduced transportation, food, and clothing costs; and
- Improved communication between supervisor and employee.

In addition, there are several benefits to society:

- Reduced commuting trips and traffic congestion;
- Reduced air pollution and conservation of transportation fuels;
- Improved employment opportunities for the disabled and mobility restricted; and
- Reduced problems associated with elder care and "latchkey" children.

Flexiplace is not an employee right. Management is responsible for deciding if the position is one that is appropriate for offsite work and for

examining both the content of the work and the performance of the employee. Management may end an employee's participation in the program if it is not working out. On the other hand, flexiplace is entirely voluntary on the part of the employee, and a supervisor cannot require an employee to work at home.

The opportunity to participate in a flexiplace program is offered with the understanding that the employee must ensure that a proper work environment is maintained (e.g., child care arrangements are made so as not to interfere with the work; personal disruptions such as nonbusiness telephone calls and visitors are kept to a minimum, etc.). Family responsibilities must not interfere with worktime at home.

For information about Federal Government telecommuting options, see the General Services Administration web site:

www.gsa.gov/pbs/owi/telecomm.htm

For information on local area telecommuting centers, see Chapter 13, **Resources and Bibliography**.

Flexible Time Schedules

Flextime is a work schedule that provides an alternative to the "9 to 5" (or "8 to 5" for the U.S. Government) concept, based on the belief that people who are given greater self-determination in coordinating their professional and personal lives will do a better job for their employer while improving the quality of their own lives.

The number of firms that permit (or even encourage) flexible time schedules is increasing. Companies recognize that alternative work schedules can attract and retain skilled people and allow the scheduling of workers to better meet customer needs. A flextime worker can be on hand at 7 am for the early-bird calls; a worker putting in a compressed workweek (see below) can fill in the evening hours.

Flextime policies differ from company to company and from government agency to government agency. The following policies are usually followed:

- A flextime schedule is a fixed schedule. It is not a system that permits the employee to come to work at a different time each day;
- All offices must be covered during official working hours; and

- Full-time employees must work their full shift each day; part-time employees must work the number of hours they were hired for.

Another flexible time schedule is the **compressed work week**. Employees put in 40 hours in less than 5 days. For example, they may work four 10-hour days.

Financial Considerations

Foreign Service family members have a responsibility to become familiar with the financial considerations of employment, especially taxes and retirement benefits.

Taxes

Generally, all income is subject to Federal and local taxes. Tax rules are complicated and subject to change, so if you have questions, you should contact a tax adviser. See also the Internal Revenue Web site: **www.irs.ustreas.gov**.

Keep the following points in mind:

- Expenses related to your job-search are tax deductible on Federal tax returns. This includes the cost of stationery, postage, resume reproduction, travel, books to help you with your job hunt, career counseling, and the like. If you believe the expenditure is deductible, keep very detailed records.
- Expenses connected with volunteer activities may be tax deductible subject to certain limits. For information on tax deductions for volunteer service, see Chapter 11, **Volunteer Options**.
- The rules for reporting income earned abroad are different. This is discussed in detail in Chapter 7, **Employment Abroad**.

Retirement

Today, when people are living much longer and the cost of living continues to rise, retirement planning is essential. Even if you have never worked anywhere long enough to become vested in a pension plan, there are ways to save for retirement. Many books written about planning for retirement provide information to assist you in making a realistic plan. As with any investment option, the advice of a competent financial planner is suggested. The Women's Center in Vienna, Virginia and many of the government agencies concerned with women's issues offer courses in financial planning. For the addresses of these agencies, see Chapter 13, **Resources and Bibliography**.

The three sources of retirement income are Social Security benefits, pension plans, and individual savings.

Social Security Retirement Benefits

The following discussion of social Security benefits is necessarily general. For more information, the Social Security Administration's toll-free number is 1-800-772-1213. Recorded information is available 24 hours a day. Service representatives are available from 7:00 am until 7:00 pm on business days. The Social Security web site address www.ssa.gov provides the latest information on benefits, requirements and special situations.

The following booklets may be of special interest:

- "Retirement Benefits" (no. 05-10035)
- "Social Security: Understanding the Benefits" (no. 05-10024)
- "Social Security: What Every Woman Should Know" (no. 05-10127)

The basic idea behind Social Security is that you pay taxes into the system during your working years, and you and members of your family receive benefits when you retire or become disabled (or your survivors collect benefits when you die). Social Security is not intended to be the only source of retirement income. It should be considered a supplement to the pensions, insurance, savings, and other investments you accumulate during your working years.

The Federal Insurance Contribution Act (FICA) is the law governing Social Security. For jobs covered by Social Security, both the employer and the employee make FICA contributions that are counted toward retirement benefits. All Civil Service and Foreign Service positions (including PIT and FMA jobs abroad) are under the FICA.

Retirement Calculators

Retirement calculators are one way to determine if you have enough money to retire. You enter your age, salary, expected pensions, percentage of salary being saved for retirement, retirement age, and future income hoped for (Social Security benefits are usually automatically added). The calculator can then determine whether you will meet your goals. A good retirement calculator can be found on the Internet at www.financialengines.com.

As you work and pay taxes, you earn Social Security "credits" (also called "quarters"). You receive one Social Security credit for each \$700 of

earnings, up to the maximum of four credits in a year. Earning \$2,800 at any point during the year will entitle you to four credits. In future years, the amount of earnings needed for a credit will rise as average earnings levels rise.

At least 40 credits or the equivalent of 10 years of work is necessary to be eligible for minimum benefits at retirement. If you do not earn enough credits to be eligible for minimum Social Security benefits, or if you get only a small amount, you may be eligible for Supplemental Security Income (SSI). For more information about this program, call the Social Security Administration and ask for the booklet “Supplemental Security Income,” Publication No. 05-11000.

Good Idea File

Family members who discover that they only lack a few credits in order to qualify for Social Security benefits might begin a personal program of self-employment (baking and selling cakes, freelance consulting and counseling, etc.). By reporting this income to the IRS and paying FICA taxes on it, you can earn the necessary credits. Even a low-paying clerk’s job might be worthwhile, if it gives you the necessary credits.

To receive full Social Security benefits, the retirement age is currently 65 years. However, because of longer life expectancies, the retirement age for full benefits will increase in gradual steps to age 67. You can receive reduced Social Security benefits as early as age 62. Social Security rules are complicated and subject to change, so discuss your plans with a Social Security claims representative in the year before you plan to retire. There are special provisions for those who are self-employed to accrue credits. For information about self-employment and Social Security, see Chapter 8, **Portable Careers and Skills**.

It is your responsibility to ensure that the income on which you have paid Social Security tax is accurately credited to your name. Each year, the Social Security Administration sends a “Personal Earnings and Benefits Estimate Statement” indicating your earnings record and estimating your retirement benefits. To order this statement, call the Social Security toll-free number (1-800-772-1213). You will receive a request form (SSA form 7004), which should be filled out and returned in the self-addressed envelope. You can also fill out the request form or download it from the Social Security web site: www.ssa.gov. If you discover an error in your

statement, obtain and file Form SSA-7008 “Request for Correction of Earnings Record.”

**Civil Service/
Foreign Service
Retirement**

The new Federal Employee Retirement System (FERS) and the Foreign Service Pension System (FSPS), established in 1987, have three components: Social Security benefits, a basic benefit plan, and a thrift savings plan. Employees under either system should consult their agency’s retirement division for more information about benefits. Information can also be found at the following web sites:

OPM’s site for retirement benefits: www.opm.gov/retire/html

OPM’s site for Federal benefits: www.opm.gov/asd

Thrift Savings Plan site: www.tsp.gov

American Savings Education Council site: www.asec.org

Important Note

Beginning in 1998, Foreign Service family members in PIT and AFM/FSN positions abroad are eligible for the Civil Service reimbursable retirement plan under the Family Member Appointment (FMA) authority. For more information about the FMA, see Chapter 7, **Employment Abroad**.

Buying Into the Retirement System. If you worked in a temporary Civil Service position before 1988 and paid into a retirement fund that was refunded and you later become a Civil Service career conditional employee, a Foreign Service career employee, or work under the Family Member Appointment, you have the option of “buying into” the Federal reimbursable retirement plan covering your career job up to the total number of years you worked as a U.S. Government temporary employee. The FERS (Federal Employee Retirement System) Handbook contains general information about redeposit. Additional information and assistance in completing the application may be obtained from the personnel office of the Government department or agency in which you are employed. Otherwise, contact the Office of Personnel Management, Civil Service Retirement System, Telephone: 202-606-0500, www.opm.gov/retire. [9/2/99].

Family members working under an FMA should make sure they understand this election. See Chapter 7, **Employment Abroad** for more information.

Private Pension Plans

Many private companies (and some unions) have set up pension plans for their workers. It is important that you know as much as possible about your company's plan so that you can make adequate preparation for retirement. U.S. law requires the administrator of any qualified pension plan to furnish information about the plan to employees upon their written request.

Pension plans are usually one of two types: defined benefit plans or defined contribution plans. A defined benefit plan will pay you a definite sum of money, starting at some future date, either a set amount per month for the rest of your life or a lump sum. In a defined contribution plan, the company sets aside a specific sum each year in an interest earning account earmarked for you. When you retire, you will receive the contributions plus the earnings. Most pension plans require that you work for a minimum time before you become "vested," i.e., entitled to participate in the pension plan.

Individual Retirement Accounts (IRA's)

An IRA is one way to plan for retirement while sheltering income from taxes. Any wage-earner under 70½ years of age may contribute up to 100 percent of earned income or \$2,000 (whichever is less). Contributions made until April 15 of the next year will count with the previous year's contribution. All income earned in the IRA is tax-deferred.

The Taxpayer Relief Act of 1997 made some important changes to the rules governing Individual Retirement Accounts (IRA's). Under this act, a spouse who is not covered by his or her own retirement plan is not disqualified from making a deductible IRA contribution because the other spouse participates in a retirement plan. A non-working spouse may make a full \$2,000 contribution to either a deductible, a nondeductible, or a Roth IRA (depending on the couple's adjusted gross income). It is important to note that \$2,000 is the total amount that you can contribute to all IRA's in a given year. The new law also allows penalty-free IRA withdrawals at any age if the money is used to purchase a first home or to pay college expenses for family members.

The IRA rules are complicated so it is important to contact your financial advisor or a financial institution that provides IRA's for complete information.

- Deductible IRA's. Beginning in 1998, a taxpayer covered by a retirement plan can make a full IRA deductible contribution if his or her income is less than \$50,000 (filing jointly) or \$30,000 (filing separately). These limits will rise gradually until the year 2007.

- **Nondeductible IRA's.** Taxpayers who cannot qualify to contribute to a deductible IRA (or to the new Roth IRA, see below) because of income limitations can still contribute to a nondeductible IRA.
- **Roth IRA's.** Beginning in 1998, you can open a Roth IRA if your adjusted gross income for the year is \$150,000 or less if filing jointly (\$95,000 or less if filing separately). Contributions are not tax-deductible but income will accumulate tax-free and distributions will be tax-free if the owner has held the IRA for at least five years and is at least 59-1/2 years old. Under certain circumstances, deductible and nondeductible IRA's can be converted to Roth IRA's.

The Internet web site **www.rothira.com** provides information on the various IRA types and calculator programs for determining the best IRA investment.

The Taxpayer Relief Act also provided new credits and deductions for college tuition. See, Chapter 12, **Adult Education.**

An IRA can be set up with a financial institution, mutual fund, insurance company, or brokerage firm. In a self-directed IRA, you determine how the money is invested. An IRA may be virtually risk-free provided the investment is conservative and the institution is Federally insured.

Simplified Employee Pension Plans (SEP's)

Simplified Employee Pension Plans (SEP's) allow employers to contribute to an employee's IRA up to 15 percent of the employee's annual earnings to a maximum of \$30,000. The employee can also contribute part of his/her earnings to the SEP under terms similar to those of a 401(k).

401(k) Plans

In a 401(k) Plan, the employer matches employee contributions. The money contributed by the employee is not taxed until removed from the plan; interest on money invested in the plan is also tax-deferred. In many cases, it is possible to borrow against the money in the plan for educational, medical, or other hardship reasons.

Tax-Deferred Annuities

Tax-deferred annuities are issued by insurance companies and usually carry higher selling expenses and maintenance fees than IRA's. The principal is guaranteed and interest accumulates. Tax on the interest is

deferred until one starts to withdraw money from the plan. As with an IRA, there is a penalty for withdrawal before age 59-1/2. There is no limit on how much you can contribute; however, there may be a fixed minimum amount. Funds invested in an annuity are not Federally insured.

Keogh Plans

Keogh Plans (also called HR-10's) are designed for those who are self-employed. Keoghs can have a higher tax-deductible contribution than is permitted for an IRA. All contributions must be a portion of self-employment earnings. Setting up a Keogh is more complicated than setting up an IRA and professional advice is suggested. You can have both an IRA and a Keogh.

Financial Information on the Internet

Many web sites provide information about finances. Some web sites not tied to sellers of securities provide free information.

www.cbs.marketwatch.com

www.quote.yahoo.com

Other web sites provide financial information for a monthly fee. Their addresses can be found using Internet search engines. See Chapter 3, **Using the Internet in the Job-Search** for more information.