

PENSION & WEALTH DEFENSE GUIDE

What Every FDNY Member Should Know Before Retiring

VSF timing, Tier 2 vs. Tier 3 math, 457(b) rollover decision, and the DROP account — the four decisions that determine how much your pension is actually worth.

50%

Tier 2 pension at 20 yrs

\$12K+

Annual VSF payment

\$500K

Typical 457(b) at retirement

5%

DROP guaranteed return

TIER 2 VS. TIER 3**The Pension Multiplier Difference**

Tier 2 (pre-2012): $2\% \times \text{years} \times \text{final year salary}$. Tier 3: same formula but uses a 3-year average. If your salary spiked in the final year — overtime, promotion — Tier 3 can cost you \$3,000–\$5,000 per year. Over 20 years of retirement, that's \$60,000–\$100,000.

DROP ACCOUNT**The Double-Dip Most Members Underuse**

DROP lets you stay on the job past pension eligibility while accumulating pension payments in a guaranteed 5% interest account — while still collecting your full salary. A 3-year DROP participation can produce a \$150,000–\$200,000 lump sum at retirement. For most Tier 2 members, the math clearly favors participation.

VSF TIMING**"The Christmas Bonus" and When You Collect It**

The Variable Supplement Fund pays eligible retirees \$10,000–\$15,000 annually on top of pension. Your retirement date relative to the VSF payment cycle determines whether you receive the first payment within weeks or wait a full year. A few weeks of timing error can cost one full payment.

PSLF FOR EMS & FIREFIGHTERS**Federal Loan Forgiveness After 10 Years**

FDNY is a qualifying public employer. If you carry federal student loans — nursing degree, college debt — you may be eligible for Public Service Loan Forgiveness after 10 years of qualifying payments. **Warning:** Refinancing to a private lender permanently eliminates eligibility. Irreversible.

⚠ THE 457(B) ROLLOVER MISTAKE — READ THIS BEFORE YOU DO ANYTHING

Your NYC 457(b) allows penalty-free withdrawals before age 59½ when you separate from service. Roll it to an IRA and that window closes permanently — you'll pay a 10% penalty on every early withdrawal for up to 17 years. Most FDNY members retire in their early 40s. This is the single most expensive and most avoidable mistake we see.

BEFORE YOU RETIRE — RUN THESE 4 CHECKS

- ✓ Confirm your pension tier and verify your final average salary calculation — one year vs. three year
- ✓ Check the VSF payment schedule and time your retirement date to not miss the first cycle
- ✓ Evaluate DROP participation — does the guaranteed 5% return beat the cost of leaving early?
- ✓ Do NOT roll your 457(b) before building a bridge income plan for the years before 59½

Free 15-Minute Call — No Pitch. Just Answers.

Pension tier review, 457(b) bridge planning, DROP decision, VSF timing — we'll walk through your specific situation.

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