BASE
Wealth Management

LARGO FIREFIGHTERS · RETIREMENT PLANNING GUIDE

THE COMPLETE LARGO FIREFIGHTER RETIREMENT GUIDE

Income planning, DROP strategy, tax optimization, investment coordination, insurance, and estate planning — everything Largo FD members need to retire with confidence.

5 Pillars	No COLA	100%
COMPLETE FINANCIAL PLAN	FIXED PENSION — PLAN AROUND IT	FIDUCIARY STANDARD

PREPARED BY
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FREE 15-MIN STRATEGY CALL
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PILLAR 01 — INCOME PLANNING

WHAT MAKES LARGO DIFFERENT

Largo firefighters belong to the **City of Largo Municipal Police Officers' and Firefighters' Retirement Plan** — a private defined-benefit pension governed under Chapter 175, Florida Statutes. This is *not* FRS. It is a Largo-specific plan with its own benefit formula, DROP rules, contribution rates, and investment structure. Understanding how your plan differs from FRS — and from other local fire pensions — is the first step in building a plan that actually fits your situation.

YOUR 5 INCOME SOURCES

- **Pension** — fixed monthly benefit for life, calculated using your benefit multiplier × years of service × base final average compensation.
- **DROP lump sum** — accumulated during DROP, held at TransAmerica. Largest one-time asset at separation. Now offers three investment options.
- **Empower 457(b)** — deferred compensation plan. No early withdrawal penalty at separation — one of the most flexible accounts available to you.
- **Voya 401(a)** — city supplemental plan. Often overlooked or left in default cash allocation. Needs active management.
- **Social Security** — timing your claim between age 62 and 70 determines your guaranteed lifetime floor income for the rest of your life.

LARGO VS. FRS: KEY DIFFERENCES

FEATURE	LARGO PLAN	FRS SPECIAL RISK
Plan Type	Private Ch. 175	State FRS
COLA	NONE	PARTIAL (PRE-2011)
Benefit Formula	Largo-specific multiplier	3% × yrs × AFC
DROP	TransAmerica, 3 options	Up to 8 years, FRS
Supp. Savings	Empower 457 + Voya 401(a)	Varies by employer

THE NO-COLA REALITY

Your pension is fixed for life — no annual increase tied to inflation. A $5,000/month pension at age 52 has the purchasing power of roughly **$2,750/month by age 72** at 3% average inflation. Your DROP, 457, and Social Security strategy must compensate for this erosion from day one.

THE PENSION FORMULA & WHAT COUNTS AS COMPENSATION

YOUR PENSION FORMULA

Monthly benefit = **Years of Service × Benefit Multiplier × Final Average Compensation**. Your multiplier and normal retirement eligibility are set by Largo ordinance — confirm current figures with your plan administrator or HR.

OVERTIME DOES NOT COUNT TOWARD YOUR PENSION

Overtime pay is excluded from the Largo plan's final average compensation calculation. While Florida Statutes (§175.032) permit Chapter 175 plans to include up to 300 hours of annual overtime in FAC if specified by the plan or CBA, the Largo plan does not. Your pension is built on base pay — not total earnings.

PILLAR 01 — INCOME PLANNING (CONTINUED)

DROP STRATEGY: TIMING, INVESTMENT OPTIONS & EXIT

The Deferred Retirement Option Plan lets you "retire" on paper while continuing to serve — your monthly pension deposits into your TransAmerica DROP account until you officially separate. Timing your entry, selecting the right investment option, and planning your exit distribution are three of the most consequential financial decisions of your career.

YOUR 3 DROP INVESTMENT OPTIONS

Largo firefighters now have three options for how DROP deposits are invested inside TransAmerica. This is a significant decision — and one that most firefighters don't evaluate carefully enough.

OPTION 1
FIXED RATE ACCOUNT

Guaranteed fixed interest credit on your DROP balance. Lower potential return, zero market risk. Best for those very close to exit who want to protect the lump sum.

OPTION 2
PENSION FUND INVESTMENT

DROP balance invested alongside the broader pension fund. Returns tied to the plan's investment performance. Moderate risk exposure tied to the fund's allocation.

OPTION 3
OUTSIDE INVESTMENT FUNDS

A menu of outside funds offering the most flexibility and growth potential. Higher risk — most appropriate for those with longer DROP participation periods remaining.

3 KEY EXIT DECISIONS

1 Roll to IRA vs. Take as Cash

Roll to IRA = tax-deferred, full control, no immediate tax hit. Take as cash = entire balance taxable in one year. A $400K DROP taken as cash can create a $100K+ tax bill. **Model this before you decide.**

2 Income Sequence

Pension starts immediately. 457(b) available penalty-free. IRA accessible at 59½. Social Security best delayed to 67–70. The order matters — it determines your tax bill every year.

3 Healthcare Bridge

Medicare begins at 65. Retiring at 52 means up to 13 years of self-funded coverage. City retiree coverage, COBRA, ACA marketplace — plan this before exit, not after.

DURING DROP: BUILD WEALTH IN PARALLEL

Max out your Empower 457(b) every year you're in DROP. No early withdrawal penalty at separation makes it your most flexible outside account. Consider Roth 457 contributions to build tax-free income alongside your taxable pension. Keep Voya 401(a) actively invested — not in default cash. Build 12–18 months of liquid reserves before exit.

PILLAR 02 — TAX STRATEGY

THE TAX PICTURE: WHAT MOST FIREFIGHTERS MISS

Many Largo firefighters assume retirement means lower taxes. For those with a substantial pension, this is often a costly misconception. Your pension is **fully taxable federal income** — every month, for life. Layer in Social Security, IRA distributions, and RMDs, and you may stay in a high bracket for decades. Florida's no-state-income-tax advantage is real, but federal exposure demands a proactive strategy.

TAX PLANNING MOVES TO MAKE NOW

1. **ROTH CONVERSION WINDOWS**
   In low-income gap years between DROP exit and Social Security, convert Traditional IRA assets to Roth. Lock in today's rates before pension + RMDs + SS push you higher permanently.

2. **THE ROTH 457(B) OPPORTUNITY**
   Your Empower 457 may allow Roth contributions. Roth 457 grows tax-free with no RMDs — the only tax-free income bucket alongside your fixed, fully taxable pension.

3. **SEQUENCE WITHDRAWALS INTENTIONALLY**
   Which account you draw from — and when — determines your bracket every year. Wrong sequencing can cost tens of thousands over a 20-year retirement.

4. **PLAN FOR RMDS BEFORE THEY ARRIVE**
   DROP rolled to a Traditional IRA triggers RMDs at 73. A large IRA forces distributions that spike your bracket. Draw down strategically in low-income bridge years first.

5. **THE $3,000 PUBLIC SAFETY TAX BREAK**
   Retired public safety officers may withdraw up to **$3,000 tax-free annually** from a 401(a) or 457 to pay health or LTC insurance premiums (IRC §402(l)).

TODAY VS. FUTURE TAX RISK

TODAY	FUTURE RISK
Historically low federal rates	National debt creates upward rate pressure
Many FFs in 12–22% brackets now	Sunset provisions may push same income to 25%+
Roth conversions available now	Pension + SS + RMDs may lock in high brackets
Florida: zero state income tax	Advantage stays — federal exposure is real

THE SOCIAL SECURITY CLIFF

When combined income exceeds federal provisional income thresholds, up to **85% of your Social Security becomes taxable**. Staying below this cliff is one of the highest-value planning moves available.

FLORIDA RETIREMENT ADVANTAGES

No state income tax on pension, 457(b), or IRA. **Save Our Homes cap** limits property tax increases to 3%/year. **No estate or inheritance tax.**

2026 SUPPLEMENTAL ACCOUNT CONTRIBUTION LIMITS

ACCOUNT	2026 BASE	AGE 50+	AGES 60–63	EARLY WITHDRAWAL	ROTH?
Empower 457(b)	$24,500	+$8,000	+$11,250	NONE AT SEPARATION	YES — CONFIRM PLAN
Voya 401(a)	Employer-set	Varies	Varies	10% IF UNDER 59½	Typically No
Roth IRA	$7,500	+$1,000	+$1,000	CONTRIBUTIONS TAX-FREE	Inherently Roth

Source: IRS IR-2025-111 (Nov. 13, 2025) · IRC §457(b) · IRS Retirement Topics — IRA Contribution Limits. Ages 60–63 super catch-up applies where plan permits. All limits subject to change.

PILLAR 03 — INVESTMENT STRATEGY

EACH ACCOUNT HAS A DIFFERENT ROLE

Largo firefighters manage three investment accounts alongside their pension — each with a different timeline, tax treatment, and purpose. Treating them as one pool is a common mistake. Think of your pension as a fixed bond: your investment accounts should complement it with growth, flexibility, and tax diversity.

SHORTER TIMELINE
TRANSAMERICA DROP

Fixed rate, pension fund, or outside funds. Shift toward capital preservation in your final 12–24 months to protect what you've built.

LONG-TERM FLEXIBILITY
EMPOWER 457(B)

No early withdrawal penalty at separation. Best vehicle for Roth contributions. Invest for long-term growth — this is your most flexible account.

OFTEN OVERLOOKED
VOYA 401(A)

City-matching contributions, often left in default cash. Review allocation annually — this account is frequently larger than firefighters expect.

DROP INVESTMENT STRATEGY BY PHASE

DROP TIMELINE	RECOMMENDED APPROACH
5+ years remaining	Outside funds — growth-oriented, time to recover from volatility
2–4 years remaining	Balanced — begin shifting toward lower risk as exit nears
Under 12 months	Fixed rate or capital preservation — protect the lump sum

YOUR PENSION IS ALREADY YOUR "BOND"

A fixed pension paying $5,000/month is equivalent to a large bond position. Don't over-allocate your investment accounts to conservative options just because you have a pension — they should provide what the pension can't: growth, flexibility, and tax diversity.

ALIGNING ALL THREE ACCOUNTS

Small coordination decisions compound significantly over a 25–30 year retirement. The goal is to optimize the system as a whole, not maximize each account in isolation.

- **DROP** — match risk to your remaining participation period; shift to preservation near exit
- **457(b)** — invest for long-term growth; Roth option is the most valuable feature available
- **Voya 401(a)** — confirm you're invested; align with the full picture, not just this account alone
- **IRA rollover (post-DROP)** — coordinate drawdown with RMD timeline, tax brackets, and Social Security filing date

RISK ASSESSMENT

We use Nitrogen to quantify your personal risk tolerance and compare it against your actual portfolio exposure — so you know whether your DROP, 457, and 401(a) are positioned in line with what you can handle in a down market.

PILLAR 04 — PROTECTION & INSURANCE PLANNING

INSURANCE STRATEGY: PROTECTING WHAT YOU'VE BUILT

The transition from active service to retirement creates insurance gaps that are easy to overlook and expensive to fix later. For Largo firefighters, insurance decisions are directly connected to your pension payout option, your healthcare bridge, and your long-term asset protection strategy. They cannot be made in isolation.

LIFE INSURANCE & PENSION PAYOUT

At retirement you'll select a pension payout option — one of the most permanent decisions you'll make, directly tied to your life insurance strategy.

- **Single-life option** — highest monthly check; payments stop entirely at your death
- **Joint & survivor options** — lower monthly benefit; spouse continues receiving income after you die
- **Insurance offset strategy** — private life insurance may let you elect the higher single-life pension while still protecting your family — often at lower total cost
- **Group life ends at retirement** — department coverage typically stops or reduces significantly; portable coverage must be in place before exit

KEY ACTION ITEM

Explore portable life insurance **before retirement**. Adequate outside coverage may let you elect the higher single-life pension and increase monthly income while still protecting your family. Model this before you choose a payout option.

HEALTHCARE BRIDGE TO MEDICARE

Medicare begins at 65. Retiring at 52 means up to 13 years of self-funded healthcare — one of the most underplanned costs in firefighter retirement.

- **City retiree coverage** — verify if the City of Largo offers subsidized retiree health coverage and at what cost
- **COBRA** — extends current coverage up to 18 months; expensive but seamless transition
- **Florida ACA Marketplace** — income-based subsidies can significantly reduce premiums when taxable income is managed carefully
- **Spouse's employer plan** — often the most cost-effective bridge option when available

LONG-TERM CARE

- Florida nursing home costs average $9,000–$12,000/month (Genworth 2024 Cost of Care Survey) — one extended illness can rapidly deplete DROP assets without a plan
- Review all existing coverage — group policies, individual policies, and plan riders — before retirement
- Medicare planning — understand Parts A, B, D, and Supplement options well before turning 65

ALL DECISIONS ARE CONNECTED

Your life insurance need changes based on the pension payout option you choose. Your healthcare costs affect how much you draw from the 457(b) in early retirement. Your long-term care risk affects how much DROP rollover you should keep accessible. **These decisions need to be made together — not separately, and not at the last minute.**

PILLAR 05 — ESTATE PLANNING

LEGACY PLANNING: PROTECTING YOUR FAMILY

Estate planning is often the last thing firefighters think about — and the first thing that creates problems for families. A complete retirement plan ensures your assets go to the right people, in the right way, with the least possible tax friction. The complexity of pension survivor benefits, DROP rollover accounts, and life insurance decisions makes proactive planning essential.

CRITICAL ESTATE PLANNING ACTIONS

1. **BENEFICIARY DESIGNATIONS**
Your pension, DROP rollover IRA, Empower 457(b), Voya 401(a), and life insurance all pass to named beneficiaries — *not* through your will. Outdated designations are the most common estate mistake. Review every account annually.

2. **PENSION SURVIVOR BENEFITS**
Your payout election is irrevocable. Understand the pop-up provision — which may restore benefits if a survivor predeceases you — and all joint-and-survivor options before you sign.

3. **WILL, TRUST & POWER OF ATTORNEY**
An updated will, durable power of attorney, and healthcare directive are non-negotiable. A revocable living trust avoids probate and transfers assets cleanly to heirs.

4. **IRA INHERITANCE RULES (SECURE ACT)**
Most non-spouse beneficiaries must withdraw inherited IRA assets within 10 years. This affects how you structure your DROP rollover and whom you name. Understand the rules before the rollover is executed.

5. **LINE OF DUTY DEATH BENEFITS**
Florida firefighters may have LODD benefits under Chapter 175, Florida Statutes, and potentially federal PSOB benefits. Ensure beneficiaries are correctly designated for both and know what they're entitled to.

FLORIDA ESTATE ADVANTAGES

NO STATE ESTATE OR INHERITANCE TAX

Florida has no state estate tax and no inheritance tax. Your DROP rollover IRA, 457(b), and other assets pass to heirs with only federal estate considerations — significantly more efficiently than most states.

COMMON MISTAKES TO AVOID

- **No beneficiary review** — ex-spouses still listed; children from prior relationships missed
- **Pension payout not coordinated with insurance** — choosing survivor options without modeling the private insurance alternative
- **No power of attorney** — who manages your pension and accounts if you become incapacitated?
- **Inherited IRA rules ignored** — wrong beneficiary type forces an immediate 10-year distribution clock
- **No plan for unmarried partners** — pension survivor and IRA rules require proactive planning for non-spousal beneficiaries
- **LODD benefits not documented** — family may not know what they're entitled to under Chapter 175 or PSOB

THE BIG PICTURE

All five pillars — income, taxes, investments, insurance, and estate planning — are connected. Small, coordinated decisions across all five areas create a meaningfully different retirement outcome. That coordination is what a complete plan looks like — and it's what we build with every Largo firefighter we work with.

BRINGING IT ALL TOGETHER

YOUR RETIREMENT PLANNING ROADMAP

TIMEFRAME	PRIORITY ACTIONS
Now	Review beneficiary designations · Assess Voya 401(a) · Start or increase 457(b) · Explore Roth 457 · Review life insurance
18–24 Months Before DROP	Request pension estimate · Confirm DROP entry deadline · Review FAC compensation components · Begin income projection · Evaluate DROP investment options
12 Months Before DROP Entry	Finalize DROP timing · Evaluate pension payout options · Run federal tax projection · Model rollover vs. cash · Insurance offset strategy
During DROP	Max 457(b) — Roth if available · Keep Voya 401(a) invested · Shift DROP option as exit nears · Build 12–18 month cash reserve · Update estate docs
12 Months Before Exit	Finalize DROP distribution · Confirm pension payout option · Set Social Security strategy · Lock in healthcare bridge · Review will/trust/POA
Exit & Beyond	Execute IRA rollover · Activate pension & healthcare · Set withdrawal sequence · Begin Roth conversions · Annual plan reviews ongoing

OUR PROCESS

1. **DISCOVERY**
   Your situation, goals, and Largo-specific benefits.
2. **ANALYSIS**
   Pension, DROP, tax risk, and income options.
3. **PLAN CREATION**
   Your personalized 5-pillar roadmap.
4. **ONGOING REVIEWS**
   Annual updates as life changes.

WHAT WE NEED FROM YOU

- Latest pension benefit estimate
- Most recent Social Security statement
- 457, 401(a), and DROP account statements
- Most recent federal tax return

Handled with the highest level of fiduciary security.

CREDENTIALS & CUSTODIANS

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