



Congratulations on reaching this important milestone in your Army career — the point where you are approaching eligibility for Continuation Pay (CP). Use this checklist and accompanying handouts to help you reassess your career goals and make important personal financial decisions as they pertain to CP.

Counselor: Consider using this checklist and accompanying handouts as a solution-focused tool to help your Soldier(s), in a one-on-one conversation/session understand and make informed decisions about CP. Go through each part of the checklist with your Soldier. As you complete each step, check their understanding by asking relevant questions regarding the topic covered and providing examples as needed.

HANDOUTS

- ✓ Continuation Pay
- ✓ Sources Of Help For Military Consumers
- ✓ Military Retirement
- ✓ Spending Plan Worksheet
- ✓ Basic Investing
- ✓ Military Consumer Protection
- ✓ Free Credit Protection



RETIREMENT

- Understand the basics of the Blended Retirement System
 - In 2016, the National Defense Authorization Act created a new military retirement system, called the Blended Retirement System, or BRS, that blends the traditional legacy retirement pension (defined benefit) with a defined contribution to Soldier's Thrift Savings Plan (TSP) accounts. The BRS went into effect on Jan. 1, 2018.
 - The TSP is similar to the retirement plans offered by many private employers as it offers similar types of savings and tax benefits. It is also the same defined contribution plan thousands of Department of Defense (DoD) and federal government civilians take advantage of for their retirement savings.
 - CP is a one-time, midcareer incentive payment offered to eligible Soldiers who are covered under the BRS in exchange for additional service. CP is in addition to any other career field-specific incentives or retention bonuses.



CONTINUATION PAY

- Know more about CP. Review the "Continuation Pay" handout for more information.
 - You must elect to receive CP before completing your 12th year of service (calculated from a Soldier's Pay Entry Base Date).
 - CP is targeted at the midcareer mark.
 - Most Soldiers in BRS who reach the 12 year mark will be eligible to request CP. However, each Service determines the timing and the amount.
 - Please note, any unearned portion of the CP will be subject to repayment if you do not complete your continued service obligation.



- Calculate how much CP you will receive. Refer to the "Continuation Pay" handout provided and use the pay rates at <https://militarypay.defense.gov/BlendedRetirement> to help you determine the amount of money you will potentially receive.
 - Active duty Soldiers, including Full-Time support personnel, may be eligible for a CP multiplier of 2.5.
 - Members of the Guard/Reserves in drilling status may be eligible to receive a CP multiplier of 0.5.
 - Each Service will determine and publish its own guidance on CP every calendar year. Pay rate multipliers may be based on Service-specific retention needs, specialty skills and hard-to-fill positions, similar to career field incentives and re-enlistment bonuses.
- Prepare for possible tax implications of CP.

The IRS views CP as earned income, therefore taxable. Consider splitting the amount into installments distributed annually to potentially reduce the tax liability incurred by receiving CP as a lump sum. The installments can be spread out up to four years. Each Soldier's situation is unique, so consider speaking with a tax professional.

Counselor: Inform Soldier(s) that the installments can be spread out up to four years. This may or not be beneficial to the Soldier(s) based on their personal tax situation, so encourage them to speak with a tax professional to make an informed decision.



FINANCIAL PLANNING

- Revisit or set new financial goals and update your spending plan.

Counselor: Inform Soldier that you can provide a Spending Plan Worksheet that can help them understand their financial situation, create an emergency fund and better manage debt. Consider a follow up meeting with your Soldier to help him/her develop an action plan.
- Put CP to good use. Review the "Continuation Pay" handout for more information.
- Review your annual TSP contributions.

Important note: You should keep the IRS annual contribution limit in mind when deciding how much you will contribute to your TSP account from your CP. Exceeding the IRS limit early could result in your monthly auto payments into your TSP account to stop before December, causing you to lose out on government matching contributions.

Counselor: Inform Soldier(s) that they only receive government matching contributions on the first 5% of their basic pay that is contributed each pay period. So, if they reach their annual limit earlier in the year and their own contributions stop, the government matching contributions will also stop.



CONSUMER PROTECTION

- Recognize misleading consumer practices and identity theft and protect yourself. Review the "Sources Of Help For Military Consumers" handout for more information.
- Research financial advisors and businesses at <https://brokercheck.finra.org>. For more information on identity theft, visit the Federal Trade Commission (FTC) at www.consumer.gov or call 1-877-ID-Theft. You can find out more about military specific consumer protection topics at www.consumerfinance.gov or www.militaryconsumer.gov.

***Counselor:** Warn Soldier(s) that scammers and unscrupulous businesses prey upon consumers, including service members with large sums of money to invest. Tell them to be careful. Remind them to protect their personal information, and to do their homework before investing or doing business with any person or organization.*



RESOURCES

Ask for help. You don't have to navigate financial decisions regarding CP alone. Help is just a click, call or walk away.

- **Click:** www.financialfrontline.org for financial education resources at your fingertips.
- **Call:** Military OneSource at 1 (800) 342-9647 for phone or video financial counseling with a professional financial counselor.
- **Walk:** Visit a personal financial counselor at your local Army Community Service Center who can help you find answers to questions about money management, debt, saving, investing and other issues.

***Counselor:** After you have completed this checklist with the Soldier(s), encourage him or her to ask questions, especially about topics that the tool did not touch on. Are there any additional resources for which you should make a referral? Now is a great opportunity to see what other services the military member might benefit from.*

