TELL YOUR FORMATION

# CONTINUATION PAY: FINANCIAL PREPARATION CHECKLIST

Congratulations on reaching this important milestone in your Army career — approaching eligibility for continuation pay. Use this checklist and the resources on the Tell Your Formation website to help you reassess your career goals and make important financial decisions pertaining to CP.

## ☐ UNDERSTAND THE BASICS OF THE BLENDED RETIREMENT SYSTEM (BRS)

- In 2016, the National Defense Authorization Act created a new military retirement system, called the Blended Retirement System, 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 War (DoW) 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.

## ☐ KNOW MORE ABOUT CONTINUATION PAY

- You must elect to receive CP within the Army's calendar year guidance (calculated from a Soldier's pay entry base date).
- Most Soldiers in BRS who are between the 8 and 12 year point of service for pay will be eligible to request CP. However, the time frames for eligibility and multiplier may change each year depending on the Army's determination.
- All Soldiers must agree to serve four years of service in the component they currently serve at the time CP is requested. They must take retention actions to meet this obligation, which begins the date the Soldier signs the CP election form. This can be used in conjunction with selective retention bonuses. Soldiers must also take mandatory financial training before submitting the election form to their HR.
- 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.

- The CP amount for Regular Army and Active Guard Reserve Soldiers is 2.5 times the active-duty monthly basic pay. This is based on pay grade and years of service at the time of signing for the current CY monthly basic pay table.
- The CP amount for Army Reserve and Army National Guard Soldiers is 0.5 times the active-duty monthly basic pay. This is based on pay grade and years of service at the time of signing for the current CY monthly basic pay table.
- The CP amount will be 2.5 times the active-duty monthly basic pay for USAR and ARNG Soldiers who are within the opportunity window and have performed 270 or more days of involuntary mobilization during a 730 day period, excluding 12301 (H) status. This calculation is based on the eligible Soldier's current pay grade and years of service, as outlined in the monthly basic pay table provided by DFAS, which is effective on the date of the Soldier's signature on the CP election form.

## ☐ PREPARE FOR POSSIBLE TAX IMPLICATIONS

- 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. Consider speaking to a tax professional to see if this applies to you.

## ☐ REVISIT OR SET NEW FINANCIAL GOALS AND UPDATE YOUR SPENDING PLAN TO INCLUDE CP

## ☐ REVIEW YOUR ANNUAL TSP CONTRIBUTIONS

- 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.

## RESOURCES

Ask for help. You don't have to navigate financial decisions alone.

- Visit 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.
- 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.