

# Just the Facts

## Continuation Pay



### What Is Continuation Pay (CP)?

- A mid-career, one-time pay out to service members enrolled in the Blended Retirement System at 12 years of service, based on their Pay Effective Base Date (PEBD)
- Active Component (AC): CP = 2.5 times one month's basic pay
- Reserve Component (RC): CP = 0.5 times one month's basic pay
- Cannot elect after 12 years of service
- Must commit to an additional 48 months of service which can be served in concurrence with other service commitments
- CP is in addition to any other career field-specific incentives or retention bonuses

Members who do **not** complete their obligated service are subject to repayment provisions Section 373 of Title 37, U.S.C., and the DoD Financial Management Regulation, Vol 7A, Chapter 2.

### Continuation Pay Timeline

CP Eligibility Notification	Prior to completion of 12 <sup>th</sup> Year of Service	You <b>MUST</b> elect to receive CP <b>PRIOR</b> to completing your 12 <sup>th</sup> Year of Service and be enrolled in the BRS	Continuation Pay Received
Approximately 180 Days before completion of the 12 <sup>th</sup> year of Service	Complete documentation of service commitment through unit administration		1 <sup>st</sup> Pay Period <b>AFTER</b> completion of the 12 <sup>th</sup> Year of Service and providing documentation of service commitment

### Payment Options for Continuation Pay

Payment Options: Members can choose between a lump sum payment or spread the bonus in equal installments over a two to four year period according to the chart below.

INITIAL YEAR	YEAR 2	YEAR 3	YEAR 4
100%	0	0	0
50%	50%	0	0
33.34%	33.33%	33.33%	0
25%	25%	25%	25%



Carefully choose which installment plan is right for **YOU!**

Understand that CP is **TAXABLE** – subject to both Federal and State Income tax liabilities.



### Estimate Your CP

$$\text{Monthly Basic Pay (Over 12 Amount)} \times 2.5 \text{ (Reserves)} = \text{Gross CP} - \text{Taxes (Federal \& State)} = \text{Net CP (what you take home)}$$

## How Will You Use Continuation Pay? Your Coast Guard Money Coach can help you make a plan!

There are several things you can do with your Continuation Pay, and you can do more than one! This choice is very much an individual decision and should be based on your current financial situation. Now is a good time for a financial check-up before considering possible options for your Continuation Pay:

	<p><b>Pay Down Debt!</b> Do you have credit card, student loan, or other types of debt? How much interest are you paying? Consider paying down your debt. Where should you start? Typically, start with the debt with the highest interest rate - unless you can quickly pay off a smaller debt completely. Consider adding extra money to payments for quicker payoff.</p>
	<p><b>Save it!</b> Where's the best place to save? A number of options exist, including savings account, certificate of deposit, or money market account. Do you have an emergency or reserve fund for a rainy day? Be sure to check on the Annual Percentage Rate (APR) and terms of agreement before placing your money into any account.</p>
	<p><b>Invest it!</b> Are you looking to the future and want to find ways to better use your money? There are many options available including Thrift Savings Plan, Individual Retirement Accounts, stocks, bonds, mutual funds, real estate, or 529 plans. Before you invest, complete a budget check-up and talk to an investment professional. Watch IRS contribution limits!</p>
	<p><b>Spend it!</b> Use caution when considering this option. Could you use your money more wisely? Complete a budget check-up and if your finances are in good order, consider using your CP for something like a vacation, big project, vehicle, or house down-payment.</p>
	<p><b>Gift it!</b> You can choose to gift or donate any or all of your CP. Depending upon where you donate, you do have the potential for a tax deduction. Complete a budget check to ensure you are meeting your goals before donating.</p>



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