

The Blended Retirement System

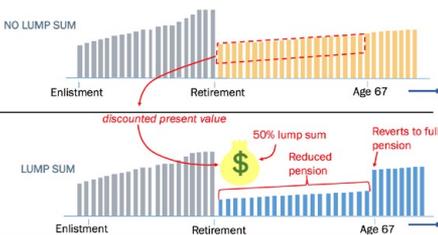


Lump Sum

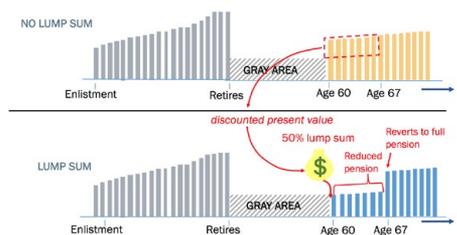
The National Defense Authorization Act for Fiscal Year 2016 created a new military retirement system that blends the traditional legacy retirement pension (defined benefit) with a defined contribution to Service members' Thrift Savings Plan (TSP) accounts. The Blended Retirement System (BRS) goes into effect on Jan. 1, 2018. The TSP offers the same types of savings and tax benefits many private employers may offer their employees covered through 401(k) or similar retirement plans. The TSP is the same defined contribution plan thousands of Department of Defense (DoD) and federal government civilians take advantage of for their retirement savings.

The lump sum option of BRS gives Service members choices at retirement. Service members covered through BRS who qualify for retired pay may be eligible to elect either a 25 percent or 50 percent discounted portion of their monthly retired pay as a lump sum in exchange for reduced monthly retired pay. Monthly retired pay returns to the full amount when the Service member reaches their full Social Security retirement age, which for most is age 67.

Regular Retirement (Typical of active duty)



Non-regular Retirement (Typical of National Guard and Reserves)



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Lump Sum Basics

The decision. The decision to elect a lump sum at retirement is entirely up to you. If you do not choose the lump sum option, you'll receive your full retired pay upon eligibility. If you do opt for a lump sum, you'll need to decide if you want 25 or 50 percent of your future retirement payments at retirement. You may receive one lump sum payment or annual equal payments — one a year for up to four years. Monthly retired pay reverts to the full amount at full Social Security age, which for most is age 67.

The trade-off. By taking either 25 or 50 percent in a lump sum, your monthly retired paycheck is reduced to 75 or 50 percent of the full value of your monthly retired pay until you reach full Social Security retirement age.

The cost. The lump sum of 25 or 50 percent is discounted to the present value based on an annual DoD discount rate published in June of each year. Note that a lifetime of equal, non-discounted monthly payments may be worth more. For most Service members, a guaranteed stream of income for life is likely better than a lump sum.

The timing. If choosing the lump sum option, you must notify your servicing personnel office **no less than 90 days before retirement**. For National Guard and Reserves, no less than 90 days before receipt of monthly retired pay (which is at age 60, or earlier based on creditable active service).

Other considerations



Taxes. Lump sum payments are considered earned income. Depending on the amount, this **might push you into a higher tax bracket**.



Survivor benefits. Payments for the Survivor Benefit Plan will still be **deducted from your remaining monthly retired pay** should you elect the lump sum.



Disability payments. If you expect to receive a disability rating from the Department of Veterans Affairs, dependent upon your rating, **disability compensation could be offset**.

Resources

- **Learn** more about the BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- **Explore** Military OneSource and other financial resources at <https://www.militaryonesource.mil>.
- **Locate** an accredited Personal Financial Manager or Counselor at your installation's Family Center, or search at <http://militaryinstallations.dod.mil>.

The choice is yours. The DoD position is that any decision to opt into BRS is the Service member's decision based on his or her individual circumstances.