



Continuation Pay Under BRS

Instructor Guide



SECURING THE
**FINANCIAL
FRONTLINE**

I. COURSE ORGANIZATION AND OUTLINE

The ***Continuation Pay Under BRS*** course is **organized into five parts:**

1. Introduction and Agenda

- Welcome
- Facilitator introduction
- Agenda

2. Continuation Pay Basics

- What is Continuation Pay?
- Who is eligible to receive it?
- When can you receive it?
- Why is it being offered?
- How is it calculated and disbursed?

3. Application Process

- How to apply for Continuation Pay

4. Financial Implications

- What are the tax considerations?
- What are the conditions/limitations of investing CP into the TSP?
- What can you do with your CP?
- What if you don't meet your service obligations?

5. Summary and Resources

TOTAL: Approximately 30 minutes



Terminal Learning Objectives (TLOs) and Enabling Learning Objectives (ELOs)

1. **TLO:** Understand the fundamentals of creating and managing a spending plan, and the importance of updating a spending plan.
ELOs: Update personal spending plan. Know how to protect Continuation Pay assets from scams and frauds.
2. **TLO:** Understand fundamentals of income tax and common tax benefits, and potential changes to tax situation.
ELOs: Understand tax implications of Continuation Pay. Be able to calculate tax bracket and Continuation Pay effects. Know the importance of setting aside funds to cover increased taxes.
3. **TLO:** Recognize and understand how to protect yourself from misleading consumer practices and report complaints.
ELO: Know how to protect Continuation Pay assets from scams and frauds.
4. **TLO:** Comprehend the components of the Service member's military retirement system and the importance of preparing for retirement.
ELOs: Understand Continuation Pay under the Blended Retirement System, (BRS). Calculate how much pay will be received as Continuation Pay under BRS. Understand how BRS Continuation Pay can be used. Understand how Continuation Pay is factored into contributions to the Thrift Savings Plan (TSP). Understand whether Continuation and Special Pay can be received concurrently.

II. CHAPTER PREPARATION

Sections labeled **INSTRUCTOR NOTE:** include additional information for instructor background, as well as activities that provide practical application of key learning points. Instructor notes contain an icon and appear in a shaded text box for easier recognition.

CONTENT ICONS — The following icons are used throughout this guide:

INSTRUCTOR NOTE:	Instructor Note (indicates additional information related to the content for the instructor)
	Checklist and Handout (indicates a checklist or handout is associated with the content)
	Learning Activity (indicates a learning activity)

INSTRUCTOR NOTE: Being prepared for training promotes organization, projects a positive image, and reduces stress.

Be prepared to discuss each Checklist and Handout in class. You should familiarize yourself with this content so you can effectively discuss each document during your presentation.

While this guide is written as a script, avoid reading it word-for-word. Familiarize yourself ahead of time so you feel comfortable covering the material in your own words.

Throughout the presentation, the checklist or handout will be identified with an icon on the PowerPoint and an instructor note in this guide.

Materials and Equipment:

- Projector and screen
- *Continuation Pay Under BRS* course PowerPoint
- Chart paper and easel or whiteboard and markers
- Paper, pens, pencils
- Course sign-in sheet
- Course evaluations

Instructor Preparation Material:

- *Military Active & Reserve Component Pay Tables* Handout
- *CY23 Continuation Pay Guidance* Memo
- *Request for Continuation Pay (Blended Retirement System)* Form

Forms and Handouts:

- Continuation Pay Soldier Checklist
- *Continuation Pay* Handout
- *Military Retirement* Handout
- *Spending Plan Worksheet* Handout
- *Sources of Help for Military Consumers* Handout
- *Basic Investing* Handout
- *Military Consumer Protection* Handout
- *Free Credit Monitoring* Handout

III. CONTENT



SLIDE 1

Introduction

Welcome to the *Continuation Pay Under BRS* course. As members under the Blended Retirement System (BRS), you are eligible for a one-time, mid-career bonus payment called Continuation Pay. During this course, you will have the opportunity to understand what Continuation Pay is, how to apply for it, and how best to use it.

You are at the point in your career where you are probably questioning whether you want to stay in or get out of the Army. One additional thing to consider is whether you want to take Continuation Pay in exchange for an agreement to perform additional obligated service. Today, we are going to explain Continuation Pay and answer any questions you may have to help you make a decision.

Facilitator Introduction

Introduce yourself by providing:

Hello, my name is_____.

I am a_____.

(Describe your experience as a facilitator or with personal financial management or with expertise in Continuation Pay.)

Course Purpose and Rationale

The information we will cover over the next 30 minutes will help you plan for your decision on whether to take Continuation Pay. As a reminder, this training satisfies the common military training requirement. Having an effective financial plan will help you remain focused on the mission and make the most of your Continuation Pay should you decide to take it.

This training satisfies the common military training requirement for *Continuation Pay Under BRS*.

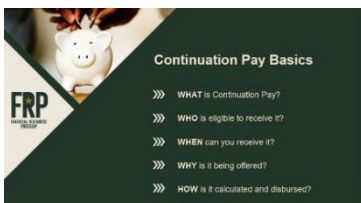
Disclaimer: *The information provided in this course does not constitute a formal endorsement of any company, its products, or services by the military. Specifically, the appearance or use of external hyperlinks does not constitute endorsement by the military of the linked websites, or the information, products, or services contained therein. The military does not exercise any editorial control over the content you may find in these resources. The intent is to provide informative material to assist Soldiers and their families in identifying or exploring multiple options.*



SLIDE 2

Agenda

You are entering into the second half of your military career, so it's a great time to refocus on your finances. Today we will discuss the following four topics: **Continuation Pay Basics, Application Process, Financial Implications and Resources.**



SLIDE 3

Continuation Pay Basics

The following questions about Continuation Pay will be answered:

What is Continuation Pay

Who is eligible to receive it?

When can you receive it?

Why is it being offered?

How is it calculated and disbursed?

There is a lot to cover today, so let's get started.

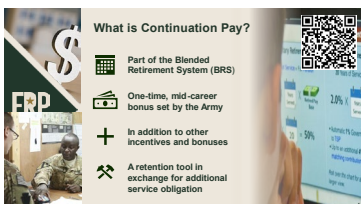


ACTIVITY: Before beginning the course, take three minutes to ask the class to share a few of their long-term goals (i.e., buy a home, start a business after retirement, etc.). Then, based on their current knowledge of Continuation Pay, ask the class what might drive their interest for this benefit and how continued service may help them to reach their future objectives.

What is Continuation Pay?



INSTRUCTOR NOTE: Distribute *Continuation Pay Soldier Checklist*, *Military Retirement Handout* and *Continuation Pay Handout*. Be prepared to discuss with the class. Refer class to <https://www.financialfrontline.org/soldier/continuation-pay/> for more information.



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What is Continuation Pay?

The Blended Retirement System, or BRS, includes a Continuation Pay provision as a way to encourage Soldiers to continue serving in the Uniformed Services. Continuation Pay is a direct cash payout, like a bonus. It is payable

between the completion of eight years of service, but before completion of 12 years of service, as determined and announced by the Army. Soldiers receive Continuation Pay in return for additional obligated service, which can be served concurrently.

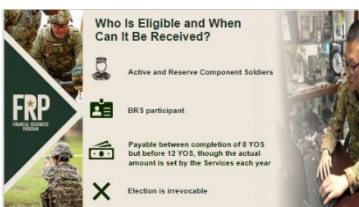
This mid-career, one-time bonus payment is in addition to any other career field-specific incentives or retention bonuses you may receive, or otherwise be eligible to receive, if not otherwise prohibited by law. It is essentially a retention tool.

Each Service will publish guidance related to Continuation Pay with rates for each calendar year determined by the retention needs of the Military Services.

Continuation Pay is one of four key components of the Blended Retirement System. Let's briefly go over the BRS using the *Military Retirement* Handout provided.

INSTRUCTOR NOTE: For more information on the BRS, please reference: <https://militarypay.defense.gov/Portals/3/Documents/BlendedRetirementDocuments/BRS%20Frequently%20Asked%20Questions%2003282018.pdf?ver=2018-03-28-235150-797>

Also, please take the time to briefly explain additional aspects of the BRS, including: Defined Contribution, Defined Benefit, and Lump Sum. Emphasize that contribution to the TSP is mandatory in order to receive the Service matching benefits.



Who Is Eligible to Receive It?

This one-time payout is available at the mid-career mark to Active and Reserve Component Soldiers enrolled in the BRS.

When Can a Member Receive It?

It is payable between the completion of eight years of service, but before completion of 12 years of service, as computed from your Pay Entry Base Date (PEBD) and determined by the Army each year. Continuation pay is designed to retain you in your current occupation, Service, and component. Services will provide guidance related to fulfilling the service obligation incurred by continuation pay.

You must elect continuation pay before the completion of your 12th year of service. This is an irrevocable election so if you miss this window of opportunity, it cannot be undone.

SLIDE 5

All Soldiers may submit their Continuation Pay request when eligible; however, Soldiers are encouraged to apply as soon as they enter their period of eligibility. For example, in 2023, SSG Jones hit his ninth year of service from his PEBD. The Calendar Year 2023 guidance stated the window of eligibility between 8 and not more than 12 years of service, as computed from the PEBD. SSG Jones can apply for Continuation Pay in 2023 and receive the pay during that calendar year if he meets all eligibility requirements. He does not have to wait for payment in his 12th year.

Payments are not payable until BRS opt-in can be verified, and the Continuation Pay is approved.

How Is It Calculated?

The calculations may differ based on the Soldier's component and duty status.

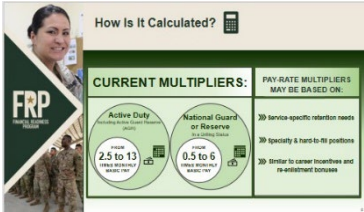
INSTRUCTOR NOTE: Review the current BRS Continuation Pay guidelines as published on <https://militarypay.defense.gov/BlendedRetirement/>
Provide this website as an additional source:
<https://www.dfas.mil/militarymembers/payentitlements/Pay-Tables/>

Multipliers: Regular Army (including Active Guard Reserve (AGR)) may be eligible for a Continuation Pay multiplier of 2.5 to 13 times their monthly basic pay. Members of the National Guard or Reserve in a drilling status may be eligible to receive a multiplier of 0.5 to six times their monthly basic pay (as if serving on active duty).

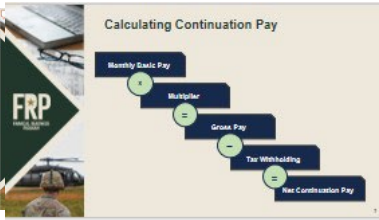
Pay-rate multipliers may be based on Army-specific retention needs, specialty skills and hard-to-fill positions, similar to career field incentives and re-enlistment bonuses. Each Service determines and publishes its own guidance on Continuation Pay.

Let's calculate a few Continuation Pay examples.

	X	=	-	=
Monthly Basic Pay	0.5 or 2.5	Gross CP	Tax Withholding	Net CP



SLIDE 6



SLIDE 7



Calculating Continuation Pay
Example: CPT with 10 years from PEBD, Calendar Year 2023 rates

Reserve Component			
Monthly Basic Pay	$\times 4$	$=$	Gross Pay
\$7,340	$\times 4$	$=$	\$29,360
		$-$	22% \times \$6,458 (\$29,360 \times .22)
		$=$	\$22,901

Active Component (including AGR)			
Monthly Basic Pay	$\times (2.5 \text{ to } 3)$	$=$	Gross Pay
\$7,340	$\times 2.5$	$=$	\$18,350
		$-$	22% \times \$4,037 (\$18,350 \times .22)
		$=$	\$14,313

* Applicable state and federal taxes are subject to individual tax filing status; subject to change each year. 22% used as baseline for federal tax withholding.

SLIDE 8



ACTIVITY: Take five minutes to walk the class through two Continuation Pay calculations (one using the Regular Army multiplier of 2.5 and one using the reserve multiplier of 4; these are the Calendar Year 2023 rates). For Regular Army, assume the calculation is premised on a Captain (O-3) with 10 years from his PEBD (2023 pay chart), with a monthly basic pay of \$7,340. For the reserve example, assume the calculation is based on a Captain (O-3) with the same basic pay. For both, use an average tax withholding of 22%. After running these calculations, encourage each participant to determine their own potential continuation pay individually. Be sure to provide a disclaimer that this is simply an example activity.

Distribute and have the class refer to the Army's annual *Continuation Pay* Memo for additional clarity on current rates.

Answer: Regular Army Net - \$14,313 / Reserve Component Net - \$22,901

How Is It Disbursed?
You can choose to receive a one-time payment or spread your payments to potentially save on taxes

<p>One Installment Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1.</p> <p>Two Equal Installments Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the next installment is paid the following year.</p> <p>Three Equal Installments Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the next installments are paid in two equal annual installments.</p> <p>Four Equal Installments Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the remainder is three equal annual installments.</p>	<p>CHOOSE AN INSTALLMENT PLAN</p> <ul style="list-style-type: none"> Continuation Pay is subject to tax withholding. Your payment choice may affect taxes owed. Review the IRS Tax Withholding Certificate.
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How Is It Disbursed?

There are various options available for payout of Continuation Pay.

1. **One Installment** – Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1.
2. **Two Equal Installments** – Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the next installment is paid the following years.
3. **Three Equal Installments** – Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the remainder in two equal annual installments.
4. **Four Equal Installments** – Paid 5-7 days after certification and submission to the servicing finance office from the unit S-1; the remainder in three equal annual installments.

Remember: Continuation Pay is subject to tax withholding – Review the IRS Tax Withholding Estimator to make sure the right amount of tax will be withheld from your paycheck. Speak with a tax advisor for questions regarding your specific situation. You can exclude this income if the execution of the contractual agreement for continued service occurred while present in a designated combat zone. To be considered "earned" in the combat zone, the Continuation Pay election must be accepted by the Army and considered final in the month in which the member was in the designated combat zone. Social Security and Medicare taxes will still be taken out. If not in a designated combat zone, a 22% Federal income tax will be withheld.

SLIDE 9

Why Is It Being Offered?

As we talked about earlier, CP is part of BRS and is essentially a retention tool. It acts as an incentive to retain experienced personnel.

How to Request Continuation Pay

INSTRUCTOR NOTE: The Army must document how a Soldier applies for Continuation Pay and how the application is processed by the Army.

All Soldiers may submit their Continuation Pay request through the CY23 Continuation Pay Request form once they become eligible for Continuation Pay based upon their PEBD. Soldiers should submit their Continuation Pay request no later than 30 days prior to completing their 12th year of service based upon PEBD.

Army Reserve Soldiers may submit their Continuation Pay request no earlier than 180 days prior to completing their qualifying year of service.

Financial Implications

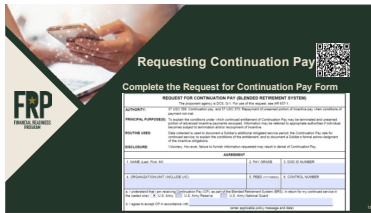
Opting to receive Continuation Pay is a significant financial decision. Due to the various implications of this choice, it is advisable to consult with your significant other and/or seek professional financial management advice prior to applying.

There are certain financial implications to Continuation Pay that we will now discuss. They include:

- Tax considerations
- Conditions or limitations of investing Continuation Pay into the TSP
- Investment and/or spending options for Continuation Pay
- Potential inability to meet your service obligations

What Are the Tax Considerations?

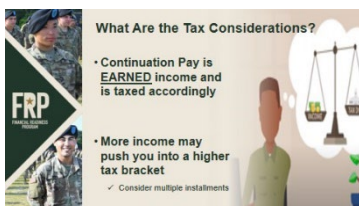
Continuation Pay is considered earned income and may be taxed accordingly for federal and state taxes.



SLIDE 10



SLIDE 11



SLIDE 12



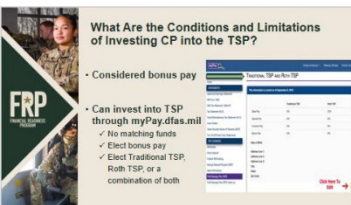
If taken in one installment, depending on your situation, the amount paid may move you into a higher tax bracket. If so, you might want to consider requesting two or four installments to lessen the tax burden in the year you receive it.

ASK: What happens in a combat zone?

If you elect to receive your Continuation Pay in a designated combat zone or qualified hazardous duty area, it may also be tax-free. Eligible Service members who serve in a designated combat zone could have income excluded from taxation by the IRS. The Combat Zone Tax Exclusion, or CZTE is fully explained in the IRS Publication 3: Armed Forces' Tax Guide, which is a source for all military-specific tax matters.

For free information on tax filing in the military, you may also want to consider consulting the Military OneSource Miltax program. MilTax is a suite of free tax services for the military community, including personalized support from tax consultants, easy-to-use tax preparation and e-filing software, and helpful information on filing your tax return in the military.

SLIDE 13



What Are the Conditions/Limitations of Investing Continuation Pay into the TSP?

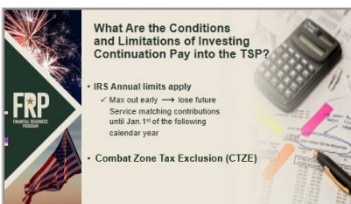
Remember, Continuation Pay is considered a bonus pay. It can be invested into the TSP; however, these funds are not matched.

If you wish for Continuation Pay to go into the TSP, it is necessary to elect a percentage into Bonus Pay and designate whether you would like it to go into Traditional, Roth, or a combination of both in myPay **prior** to receipt of payment.

Remember, annual limits still apply for TSP contributions. You need to keep in mind how this affects your future contributions. Will contributing Continuation Pay to your TSP push you to the max on the limit for the year? If so, you will lose the Service match on future contributions until January 1st of the next year. However, if you elect to receive the Continuation Pay in multiple installments, it will spread out the contributions so that you may not lose out on matching.

Keep in mind, if you are serving in a designated combat zone, you are allowed an additional contribution amount called the Annual Additions Limit. Talk with a Personal Financial Manager or Counselor, tax advisor, or visit tsp.gov for more information.

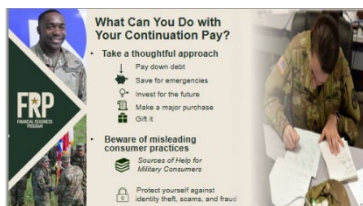
What Can You Do with Your Continuation Pay?



SLIDE 15



INSTRUCTOR NOTE: Review the *Basic Investing, Spending Plan* worksheet, *Sources of Help for Military Consumers*, and *Military Consumer Protection* handouts. Encourage students to attend financial classes at the local installation Family Support Center.



SLIDE 16

The choice is yours and should be based on your current financial situation. Take a thoughtful approach and make the most of this money. One great place to start is by reviewing your spending plan to get a sense of where your money is currently being spent.

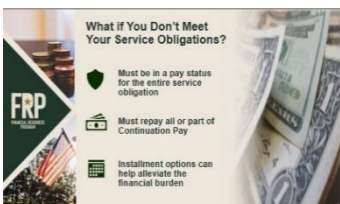
Some options for your Continuation Pay are (Refer to *Continuation Pay* handout):

- Pay down debt
- Save for emergencies
- Invest for the future
- Make a major purchase
- Gift it



INSTRUCTOR NOTE: Discuss the *Military Consumer Protection* Handout.

Unfortunately, scammers and dishonest businesses prey upon consumers, especially Soldiers, with large sums of money to invest. So, it's important to be mindful of this and protect your hard-earned money.



SLIDE 17

What if You Don't Meet Your Service Obligations?

If you are unable to complete the period of obligated service, you may have to repay all or part of your Continuation Pay. While all situations are unique, continuation pay may be subject to repayment of a pro-rated amount. The decision as to whether or not to recoup payment is determined by the Army.

Continuation pay is designed to retain you in your current occupation, Service and component. The Army has additional guidance related to fulfilling the service obligation incurred by continuation pay.

INSTRUCTOR NOTE: If further explanation is required, please see:
<https://militarypay.defense.gov/Portals/3/Combined%20BRS%20Policy%20Document%20%28Updated%20Oct%202020%29.pdf>

Summary

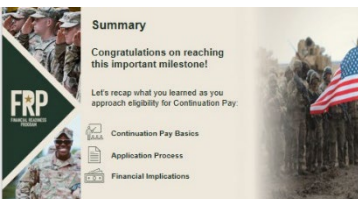


Now, let's take our last couple of minutes together to review some of the important information we covered today.

We've discussed Continuation Pay Basics, the Application Process and Financial Implications of how you choose to receive this benefit.

What questions do you have?

SLIDE 18



INSTRUCTOR NOTE: Please avoid answering any individual Soldier questions regarding eligibility, how they should take the money, or how it should be spent. Note that HQDA G-1 is the proponent for Continuation Pay.

Resources

Finally, let's review the resources available to assist you in making this important decision.

Please read through your checklist and handouts. Refer to them as you continue to contemplate this decision. They are a great resource to help navigate the financial decisions you'll need to make.

Consider these two ideas:

- 1) Write down pros and cons, talk with a partner, or make a mental note of your thoughts, concerns, or “to do” items as you consider opting for Continuation Pay.
- 2) Think about the first step you are going to take with regard to preparing and managing your finances. Be specific. Start small. Prioritize items on your list based on what is most important and in your control.

Remember, you are not alone! You have many layers of support to help you learn more and make good financial decisions.

Remember your financial resources for securing the financial frontline!

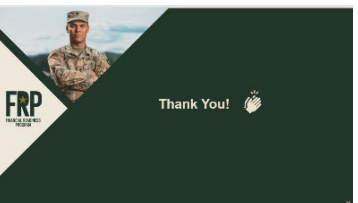
- Click — Access <https://www.financialfrontline.org>
- Call — Military OneSource at 800-342-9647
- Walk — Come by the local Family Support Center

Thank You!

Once again, congratulations on reaching this important career milestone.

As you embark on the second half of your military career, make it a priority to improve your financial readiness. There are plenty of resources we touched on today that are available to assist you.

Thanks everyone for participating.



SLIDE 21