



UNDERSTANDING BONUSES

During your time in the military, you may be eligible for a monetary incentive or payout.

Some authorized monetary incentives* are:

- Enlistment bonuses (EB)
- Continuation Pay (CP)
- Designated Career Field bonuses (DCFB)
- Critical Skills Retention bonuses (CSRB)



Your bonus or payout is subjected to both federal and state income tax liabilities. The current federal tax withholding rate for bonuses is 22%.* For example, a Coast Guard member who is a resident of Florida, receives a \$10,000 bonus, that will have \$2,200 in federal taxes withheld. Since the member is from Florida, there are no state taxes withheld. The member can expect to receive \$7,800 payment from their bonus.

Recommendations to Consider:

Seek qualified help! Consider visiting your local Personal Financial Manager (PFM) or Command Financial Specialist (CFS), who can discuss your options and available resources.



Pay Down Debt!

Do you have credit card, student loan, or other types of debt? How much interest are you paying? Consider paying down your debt. Typically, start with the debt with the highest interest rate (usually a credit card) — unless you can quickly pay off a smaller debt completely. Consider adding extra money to payments for quicker payoff.



Save It!

Several saving options exist, including a savings account, certificate of deposit, or money market account. Do you have an emergency or reserve fund for a rainy day? Check on the Annual Percentage Yield (APY) and terms of agreement before placing your money into any account.



Invest It!

There are many investment options available including Thrift Savings Plan (TSP), Individual Retirement Accounts, stocks, bonds, mutual funds, real estate, or 529 plans. Before you invest, complete a budget and talk to an investment professional.

Be aware of IRS contribution limits (which is the maximum amount of contributions you can contribute in a calendar year) to avoid missing out on employer matching available in your employer retirement accounts, such as TSP, if you hit your maximum contribution limit too soon.

**Subject to change*



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Spend It!

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, then consider using your bonus for something like a vacation, big project, vehicle, or house down-payment. If you chose this path, it is wise to ensure your significant other is 'on-board' with the idea.

Remember to review your bonus contract, which outlines the requirement of completing your obligated service time.

My Action Plan:

- ✓ Review my eligibility and service commitment:
 - I meet the eligibility requirements of _____.
 - There is a service commitment of _____.
- ✓ Timeline to accept: I must complete my paperwork by _____.
- ✓ Calculate my Net Bonus:

_____	-	_____	=	_____
Gross Bonus Amount		State (___%) and Fed (22%) Tax		Net Bonus

- ✓ How I will use the money:
 - Save \$_____ or _____%
 - Pay off debt \$_____ or _____%
 - Invest \$_____ or _____%
 - Spend \$_____ or _____%

