



# ENTITLEMENT TO CONTINUATION PAY (CP)

Congratulations on reaching this important milestone in your Coast Guard career — the point where you are approaching eligibility for Continuation Pay (CP). Use this checklist and accompanying handouts to help reassess your career goals and make important personal financial decisions as they pertain to CP.

## HANDOUTS

- Goal-Setting Worksheet
- Spending Plan Worksheet
- Military Consumer Protection
- Servicemembers Civil Relief Act
- Sources of Help for Military Consumers
- Military Retirement
- Entitlement to Continuation Pay (CP)
- Understanding Bonuses
- Basic Investing

**Counselor:** Use this checklist and the listed handouts as a solution-focused tool to help Coast Guard members, in a classroom setting or counseling session, set goals, establish priorities, and develop a plan of action. Space is provided to add local resources and reminders about additional topics. If you need additional information and referrals, contact your local Health, Safety and Work-Life (HSWL) Regional Practice staff.

## ★ Basic Finance

- ☐ Update your financial goals and personal spending plan using the *Goal-Setting Worksheet* and the *Spending Plan Worksheet* Handouts. A good spending plan helps you manage your money, plan for your financial goals, and prepare for emergencies. Here are four steps financial experts suggest to get started.

**Counselor:** Inform members that you can provide a *Spending Plan Worksheet Handout* as well as more detailed templates with features that can help them understand their financial situation and reduce excessive debt.

### Step 1 — Understand your current situation

In this step, it's important to understand what's REALLY going on with your money today. Start tracking all your income and spending for the next 30 days. How you do the tracking is up to you, but what's important is you do it.

### Step 2 — Know where your money should go

Financial experts offer these general guidelines when budgeting your money:

- Try to save and/or invest 10% – 15% of pretax pay.
- Strive to keep transportation expenses including car payments, insurance, gas and maintenance to 15% – 20% of pretax pay.
- Limit housing expenses, including mortgage or rent payment, taxes, utilities, and maintenance to your Basic Allowance for Housing or 25% – 30% or less of pretax pay.



### Step 3 — Create a plan

Build a plan for setting aside money and putting limits on how much you'll spend each month per category.

- Prioritize your financial goals with the *Goal-Setting Worksheet* Handout as a guide.
- Establish an emergency fund. Financial experts suggest you should keep at least three to six months of living expenses in reserve. If you do not have that much saved, consider setting aside a little each paycheck to help get you there.

**Counselor:** *Share with members the concepts of paying yourself first, automating savings, and keeping their emergency fund in a separate account. Remind members they can make saving effortless by setting up an automatic transfer through their bank or an allotment, time permitting.*

### Step 4 — Make adjustments

Update your spending plan as your life changes. Monitor your plan until you have fully adjusted your finances to reflect your new situation.

- ☐ Prepare for possible tax implications of Continuation Pay (CP). The IRS views CP as earned income, therefore, it's taxable. Payment can be split 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. Each Coast Guard member's situation is unique, so consider speaking with a tax professional.

**Counselor:** *Inform members that the installments can be spread out up to four years. This may or may not be beneficial based on their personal tax situation, so encourage them to speak with a tax professional to make an informed decision.*

Additional notes: \_\_\_\_\_  
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## ★ Consumer Protection

- ☐ Review the *Military Consumer Protection* Handout for additional information on identity theft, the Servicemembers Civil Relief Act (SCRA), and Military Lending Act (MLA).

**Counselor:** *Remind members their local legal assistance office can assist by reviewing contracts to keep members from falling victim to predatory lenders and fraudsters.*

- ☐ Protect yourself from misleading consumer practices and know basic procedures for handling a consumer complaint or dispute. Review the *Sources of Help for Military Consumers* Handout.

Additional notes: \_\_\_\_\_  
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## ★ Planning for the Future

- ☐ Understand the basics of the Blended Retirement System by reviewing the *Military Retirement Handout*.
  - The Blended Retirement System, or BRS, blends the traditional legacy retirement pension (defined benefit) with contributions to a member's Thrift Savings Plan account (defined contribution).
  - 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 Service members and federal government civilians take advantage of for their retirement savings.
  - CP is a one-time, midcareer payout offered to eligible Coast Guard members 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 CP. Review the *Entitlement to Continuation Pay (CP)* Handout for more information.
  - Members should review the latest CP ALCOAST for recent updates.
  - You must elect to receive CP six months before starting your eighth year of service (calculated from a Coast Guard member's Pay Entry Base Date).
  - CP is targeted at the midcareer mark.
  - Most Coast Guard members in BRS who reach the eight-year mark will be eligible to request CP. However, each Service determines the timing and the amount.
  - 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. Refer to the *Entitlement to Continuation Pay (CP)* Handout provided and use the pay rates to help you determine the amount of money you will potentially receive.
  - Enlisted members: CP = 9\* times monthly basic pay at eight years of service
  - Officers: CP = 6\* times monthly basic pay at eight years of service
  - Reserve Component (RC): CP = 2\* times monthly basic pay at eight years of service
  - Each Service will determine and publish its own guidance on CP every calendar year. Pay rate multipliers may be based on Service-specific retention needs, specialty skills and hard-to-fill positions.\*
  - Please note that your CP payout is subject to a tax withholding rate. Keep in mind this will lower your net payment received.

*\*Subject to change*

- ☐ Put CP to good use. Review the *Entitlement to Continuation Pay (CP)* Handout for more information.

Additional notes: \_\_\_\_\_

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## ★ Saving and Investing

- ☐ Evaluate your retirement goals and review TSP annual contribution limits.

Important note: 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. Review the *Military Retirement* Handout for more information on TSP matching contributions.

***Counselor:*** Inform members that they only receive Coast Guard matching contributions on the first 5% of their basic pay that is contributed each pay period. So, if they reach their annual limit earlier in the year and their own contributions stop, the Coast Guard matching contributions will also stop.

- ☐ Review the *Basic Investing* Handout to learn more about investing for retirement, compound earnings and fundamentals of investing.

Additional notes: \_\_\_\_\_  
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## ★ Resources

- ☐ Ask for help. You don't have to navigate financial decisions regarding CP alone. Help is just a visit, call, click or download away.
  - **Visit** a PFM at your local Health, Safety and Work-Life (HSWL) Regional Practice who can help you find answers to questions about money management, debt, saving and investing.
  - **Call** CG SUPRT for free and confidential consultation with a Money Coach.
  - **Download** the Coast Guard Work-Life and DoD FINRED Sen\$e mobile apps to stay connected and find the latest news on CP rates.

***Counselor:*** After you have completed this checklist with the members, encourage them to ask questions, especially about topics that the checklist did not address. Are there any additional resources for which you should make a referral? Now is a great opportunity to see what other services the Service member might benefit from.

Additional notes: \_\_\_\_\_  
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