

Military Retirement

Planning for Retirement

The military offers great retirement benefits, including the Thrift Savings Plan (TSP) and a pension if you serve long enough. The exact benefit you'll receive from each of these programs depends on whether you're covered under the Legacy "High 3" Retirement System or Blended Retirement System (BRS).

The Legacy "High-3" Retirement System

Key Features:

- For Service members who first entered Active Duty after September 8, 1980, but before January 1, 2018.
- Requires 20 years of Active Duty service to qualify for retirement pay (pension).
- Reserve members must complete 20 qualifying years and attain age 60 (or earlier based on qualifying active service).
- The TSP is available and is funded only by Service member contributions.

Calculating the Monthly Pension:

$$2.5\% \times \text{Years Served} \times \text{Retired Pay Base}$$

(Average of highest 36 months of basic pay)

Examples:

Enlisted: $2.5\% \times 20 \times \$4,900 = \$2,450$ per month
Officer: $2.5\% \times 20 \times \$9,400 = \$4,700$ per month

**Reserve members divide accumulated retirement points by 360 for "Years Served," assuming they have earned enough qualifying years toward retirement.*

Blended Retirement System (BRS)

Key Features:

- For Service members who first entered Active Duty after January 1, 2018, or opted into BRS.
- Requires 20 years of Active Duty service to qualify for retirement pay (pension).
- Reserve members must complete 20 qualifying years and attain age 60 (or earlier based on qualifying active service) with no break in service.
- The TSP is available and is funded by Service member contributions plus automatic and potential matching contributions from the member's branch of service.
- Offers both Continuation Pay and a lump-sum option.

Calculating the Monthly Pension:

$$2.0\% \times \text{Years Served} \times \text{Retired Pay Base}$$

(Average of highest 36 months of basic pay)

Examples:

Enlisted: $2.0\% \times 20 \times \$4,900 = \$1,960$ per month
Officer: $2.0\% \times 20 \times \$9,400 = \$3,760$ per month

**Reserve members divide accumulated retirement points by 360 for "Years Served," assuming they have earned enough qualifying years toward retirement.*

Survivor Benefits

Once qualified, you will receive retirement pay for life. The amount is periodically adjusted to the cost-of-living index. Upon your death, your spouse or other eligible beneficiary(ies) may receive payments only if you arrange it through the Survivor Benefit Plan (SBP) before you retire.

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Four Unique Elements of BRS

1. Service Contributions to the Thrift Savings Plan

The TSP is a defined contribution plan, like a civilian 401(k). For BRS participants, it is funded with a combination of Service member contributions plus automatic and potential matching contributions from your branch of service.

- **Automatic Contributions:** Your branch of service automatically contributes the equivalent of 1% of your basic pay to your TSP account each pay period beginning after 60 days of service. Automatic contributions vest (meaning the money is yours to take with you when you leave the military) after two years of service.
- **Matching Contributions:** After two years of service, your branch of service will begin matching your contributions to the TSP as outlined in the chart below. Matching contributions vest immediately.

Member Contribution (Roth and/or Traditional)	Automatic (1%) Contribution (Traditional)	Matching Contribution (Traditional)	Total Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your Contribution + 5%

2. Automatic TSP Enrollment

As of October 1, 2020, all BRS participants are automatically enrolled in the TSP at a 5% contribution amount. Service members who enrolled in BRS on or after January 1, 2018, and on or before September 30, 2020, are automatically enrolled in the TSP at a 3% contribution level. Those who opted-in to the BRS will contribute to the TSP at the contribution percentage elected at the time of the enrollment. Service members are permitted to reduce or increase their contribution amount. The maximum annual contribution, known as the IRS Elective Deferral Limit, IRC 402 (g) is subject to change annually. Visit [IRS.gov](https://www.irs.gov) and search "elective deferral limit" for the most up-to-date information. Those deployed to a combat zone are permitted to contribute substantially more. An additional catch-up contribution is also permitted for those age 50 and older. Service member contributions are always vested immediately.

3. Continuation Pay

Continuation Pay is a one-time, mid-career payment (paid between 7 and no more than 12 years of service) in exchange for additional service. Depending on service guidance, it can be 2.5 to 13 times your monthly basic pay for Active Duty or 0.5 to 6 times your monthly basic pay (as if on Active Duty) for Reserve members. This one-time payment is in addition to any other career field-specific incentives or retention bonuses.

4. Lump-sum Option

The lump-sum option gives you choices at retirement. You can choose to receive a 25% or 50% discounted portion of your monthly pension benefit in exchange for a lump-sum payment at retirement. Your pension reverts to the entire amount at the Social Security age of full retirement, which for most is 67.