



ENTITLEMENT TO CONTINUATION PAY (CP)

VIDEO DISCUSSION GUIDE

NAVY FINANCIAL READINESS

HANDOUTS

- ✓ Continuation Pay Counselee Checklist
- ✓ Spending Plan Worksheet
- ✓ Military Consumer Protection
- ✓ Sources of Help for Military Consumers
- ✓ Military Retirement
- ✓ Entitlement to Continuation Pay
- ✓ Basic Investing

CFS Preparation: Distribute and discuss the Continuation Pay checklist and accompanying handouts to support this video-based training course. Checklists and handouts can be found online at <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/TouchpointCurriculum>.



PART ONE: INTRODUCTION AND BRS OVERVIEW

CFS Introduction: Welcome to training. You are here today because you have a decision to make regarding your incentive pay titled Continuation Pay. The goal of today's discussion is to understand how Continuation Pay works and some important factors to consider as you make your decision.



Overview

DISCUSSION QUESTION

1. What are the four parts of the Blended Retirement System (BRS)? Were you aware of each component? Which parts of the BRS do you believe will benefit you?

CFS Talking Points (refer to the "Planning for the Future" section of the checklist and *Military Retirement* and *Entitlement to Continuation Pay* Handouts): Let's review each of the four components below.

- **TSP Contributions** — Your branch of service will contribute to your TSP account through automatic and matching contributions. BRS matching stops at year 26 of military service.
- **BRS Pension** — At 20 years of service, those covered under the BRS are eligible for a pension. The pension is calculated as follows:
Years of Service (YOS) x Retired Base Pay x 2%
- **Lump-Sum Option** — This option can be selected at retirement and you may choose to receive lump-sum payout in exchange for a reduced monthly pension.
- **Continuation Pay** — This component is the focus of today's training. It is a lump-sum payout, similar to a midcareer bonus, made between 8-12 years of service with a service commitment of no less than three years. Annually, the Navy chooses the year of service in which to offer Continuation Pay and what the service requirement will be. In 2022, Continuation Pay is available at 12 years of service and requires an additional four-year service commitment. Refer to the *Entitlement to Continuation Pay* Handout and visit <https://militarypay.defense.gov> for details on eligibility and current pay rates.

KNOWLEDGE CHECK

Question: How much Continuation Pay will you receive?

Answer: CP rates are subject to change; 2022 rates are:

- Active duty and FTS = 2.5 times base pay
- Reservists = 0.5 times active-duty base pay



BRS Overview



PART TWO: CONTINUATION PAY

CFS Introduction: Do you have any plans for Continuation Pay should you be eligible and choose to receive it? Let's look at some things to consider.



Calculating How
Much CP You
May Receive



Other CP
Considerations

DISCUSSION QUESTIONS

1. What major commitment should you consider when making your decision to accept or decline Continuation Pay?

CFS Talking Points (refer to the "Planning for the Future" section of the checklist and *Entitlement to Continuation Pay* Handout): Will you meet the service obligation? Should you receive annual installments instead of a lump sum if you are unsure of your ability to meet the obligation? You may have to repay any unearned portion if you do not complete the service requirement.

2. What are some things you can do to protect yourself as a military consumer?

CFS Talking Points (refer to *Sources of Help for Military Consumers* Handout): As you're thinking about potential plans for Continuation Pay, remember the importance of protecting yourself as a military consumer. Get more information on how to file consumer complaints, guidance on protecting your personal information, resources and more by reviewing the *Sources of Help for Military Consumers* Handout.

KNOWLEDGE CHECK

Question: What website will you use to elect to receive Continuation Pay?

Answer: Use NSIPS to elect to receive Continuation Pay. Find more details on the *Entitlement to Continuation Pay* Handout.



PART THREE: MAKING THE MOST OF CONTINUATION PAY

CFS Introduction: Now that we've covered what CP is and how to take it, let's turn to a discussion on how it can improve your financial situation. The following videos will cover goal setting and offer suggestions on making the most of this benefit.



Setting
Financial Goals
and Creating a
Spending Plan

DISCUSSION QUESTION

1. What plans do you have for your Continuation Pay if you choose to accept it?

CFS Talking Points (refer to the "Basic Finance" and "Saving and Investing" sections of the checklist and *Spending Plan Worksheet* and *Basic Investing* Handouts): What financial goals do you have? Your spending plan is a part of your overall financial plan and can guide you in making appropriate decisions with this income. Are you working on establishing an emergency fund or paying down debt? Are you looking to maximize your TSP? Keep in mind that maxing out too early can cause loss of matching contributions from the Navy. What are your thoughts on spending this incentive pay? Gifting these funds, as mentioned in the video, is another option that comes with tax benefits.



How to Best
Use Your CP

KNOWLEDGE CHECK

Question: How much should you have saved in your emergency fund and in what type of account?

Answer: You should have three to six months of living expenses in a separate, easily accessible account like a savings or money market account. Consider using CP to reach your target amount.



PART FOUR: CONCLUSION



Final Thoughts

CFS Conclusion: Now that we have completed today's training on Continuation Pay, keep in mind this is an important choice that requires your attention and consideration. Be sure to contact the Personal Financial Manager (PFM) on your installation with questions and concerns so that you can feel confident in your decision. Please remember to sign your checklist and input into NSIPS to acknowledge completion of this course.