

# KEEPING THE TROOPS INFORMED: THE BLENDED RETIREMENT SYSTEM

Presented by:

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DATE



# GUARANTEED LIFELONG PENSION

## Military retirement pay



# CALCULATING RETIREMENT PAY (0-5)


## LTC/CDR (0-5)

High-3 Basic Pay	\$114,360	<p>÷ 12</p> <p>x 20 Years of service</p> <p>x 2%</p>
Monthly Basic Pay	\$9,530	
YOS Calculation	\$190,600	
<b>Retirement Pay</b>	<b>\$3,812</b>	



# CALCULATING RETIREMENT PAY (E-7)

## SFC/MSGT/GYSGT/CPO (E-7)

High-3 Basic Pay	\$59,352	
Monthly Basic Pay	\$4,946	
YOS Calculation	\$98,920	
<b>Retirement Pay</b>	<b>\$1,979</b>	



# ADDITIONAL RETIREMENT PLAN BENEFITS

- Automatic and matching TSP contributions
- Continuation pay
- Retirement pay options



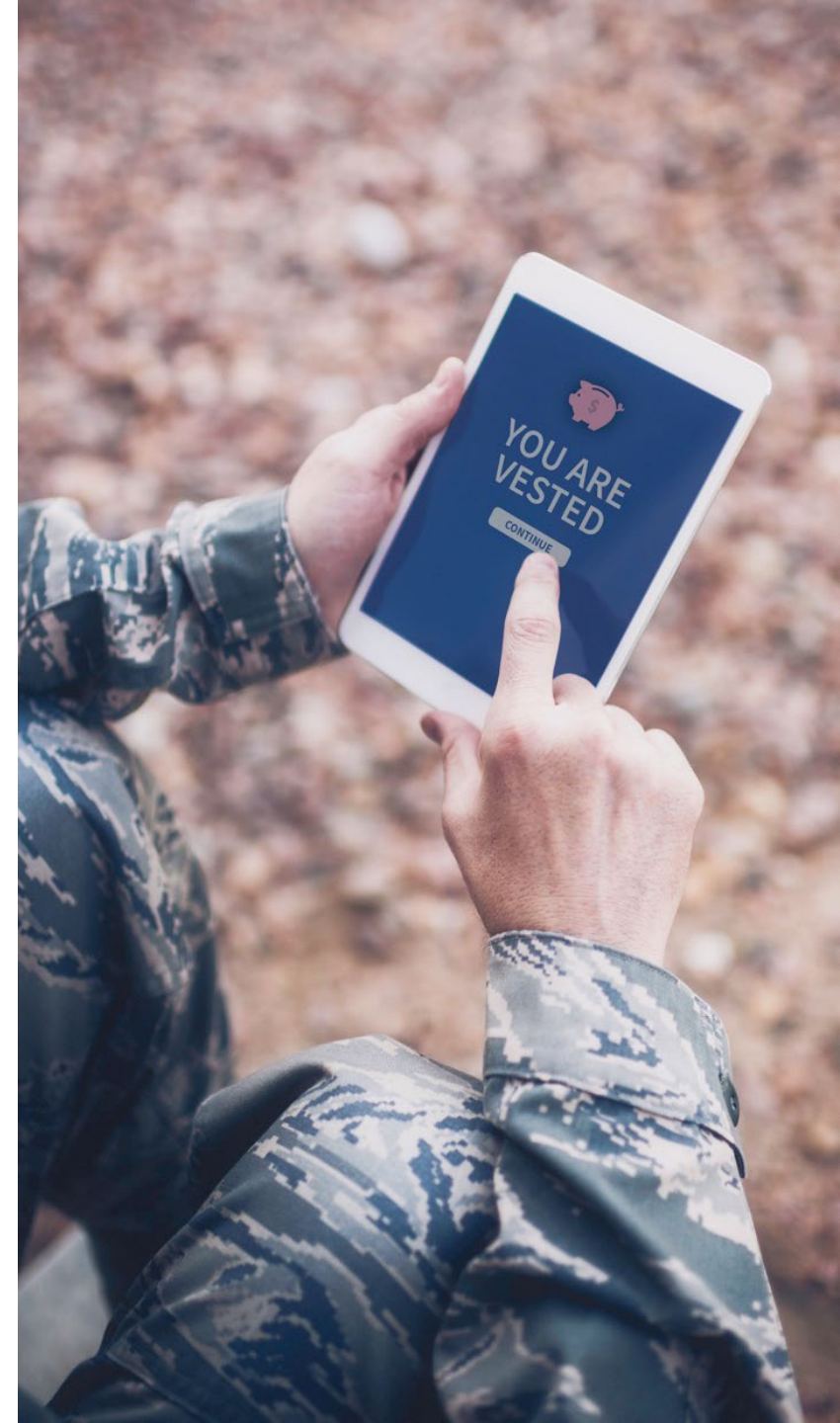
# TSP CONTRIBUTIONS

- Defined (individual) contributions
- Automatic government contributions
- Matching government contributions



# DEFINED CONTRIBUTIONS

- Eligible after 60 days of service
- Default option for contributions is 5%
- Vested immediately



# AUTOMATIC CONTRIBUTIONS

- The DoD contributes an amount equal to 1% of basic pay
- Eligible after 60 days of service
- Fully vested after 2 years





# MATCHING CONTRIBUTIONS

- Eligible after 2 YOS
- Dollar-for-dollar matching on first 3% of service member's contribution
- 50 cents per dollar matching contribution on next 2% of service member's contribution
- Fully vested immediately



# HOW TSP CONTRIBUTIONS ADD UP

Service Member Contribution	DoD Automatic Contribution	DoD Matching Contribution	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%



# INVESTMENT OPTIONS

- G Fund: Government bonds
- F Fund: U.S. bonds
- C, S, and I Funds: U.S. and foreign stocks
- L Funds: Lifecycle funds comprised of combinations of the G, F, C, S and I funds
- New in 2022, the option to invest in a wide array (5,000+) of mutual funds



# TRADITIONAL VS. ROTH – WHAT'S THE DIFFERENCE?

## Traditional

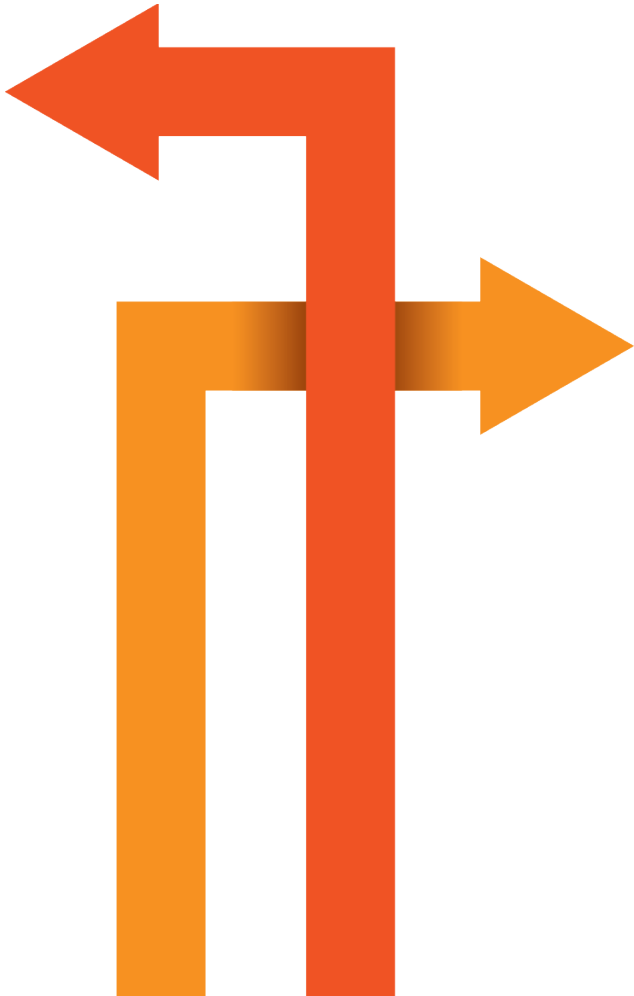
- Pre-tax contributions
- Contributions and earnings are taxable at withdrawal

## Roth

- After-tax contributions
- All money is withdrawn at retirement tax-free

# DECISION POINT: TSP CONTRIBUTIONS

- To participate or not to participate
- Making room in the budget
- Allocating your contributions
- Choosing traditional or Roth



# CONTINUATION PAY

2.5X MONTHLY BASIC PAY

Lump Sum  
OR  
Equal Annual Payments

LUMP  
SUM



EQUAL  
ANNUAL  
PAYMENTS

YEAR 1



PAYMENT 1

YEAR 2



PAYMENT 2

YEAR 3



PAYMENT 3

YEAR 4

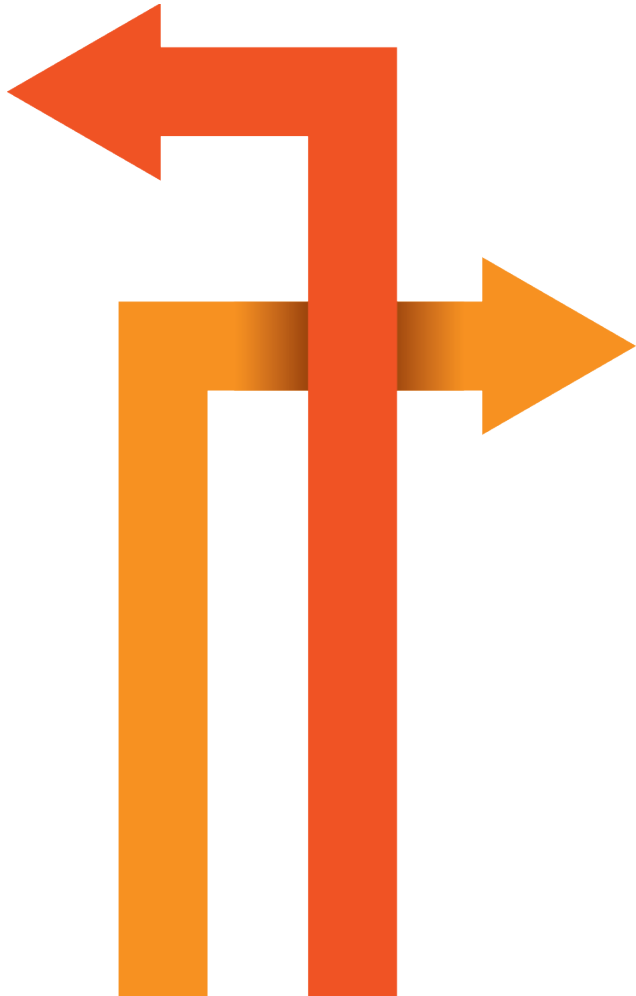


PAYMENT 4

*Subject to repayment if all obligations are not met*

# DECISION POINT: CONTINUATION PAY

- Should you take the bonus?
- Should you save, invest or spend it?
- Which of the TSP options should you invest it in?



# RETIREMENT PAY OPTIONS

1

100% RETIREMENT BENEFITS

2

25%  
LUMP  
SUM



75% RETIREMENT BENEFITS

3

50%  
LUMP  
SUM



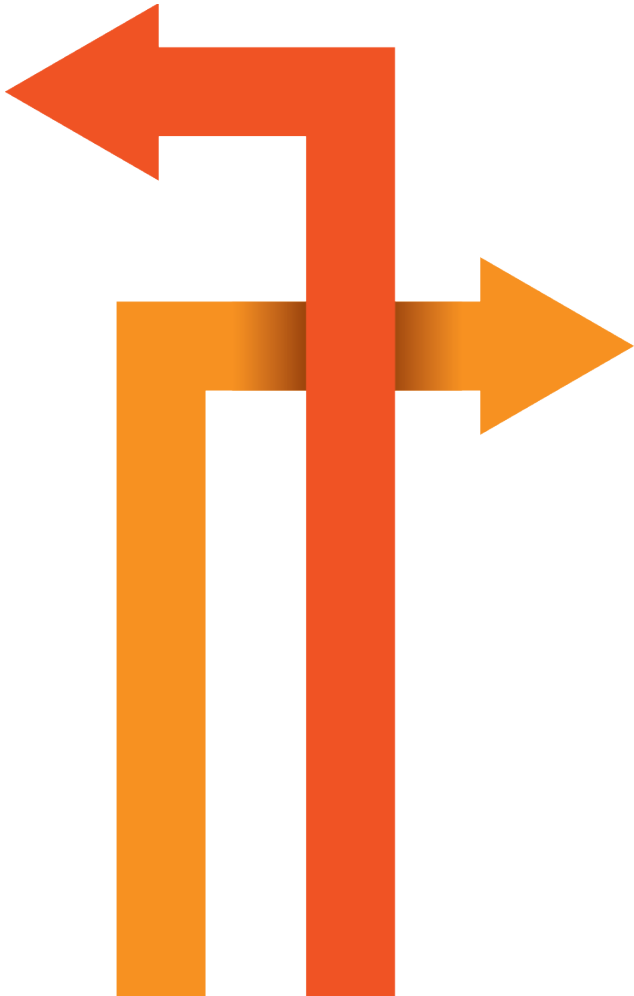
50% RETIREMENT BENEFITS

Retirement

FRA (67)



# DECISION POINT: CASH IN AT RETIREMENT



- Do you have a specific need for the money?
- Would borrowing it be a better option?
- Is it worth taking a cut in your retirement pay for the next 20+ years?

# KEY TAKEAWAYS

- Funding the TSP is critical to your retirement.
- Your 5% contribution to your TSP will maximize the government automatic and matching contributions, resulting in a 10% total contribution.
- It's important to make a smart, well-informed decision about each of the three major BRS benefits.
- You can increase your chances of making the right decisions by establishing specific goals and developing a comprehensive financial plan for pursuing them.

# THE POWER OF PLANNING

- Complimentary financial plans
- Face-to-face financial coaching



# THE BLENDED RETIREMENT SYSTEM





**FIRST  
COMMAND<sup>®</sup>**  
*Get Squared Away*

PPT-82 (5/22) Supersedes PPT-82 (6/21) which should be destroyed 60121

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*TSP accounts have very low administrative and investment expenses and, low expenses can have a positive effect on the rate of return of your investment.*