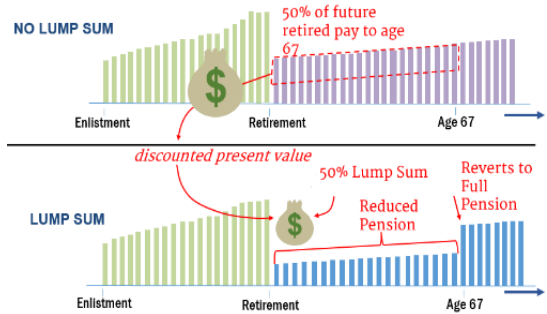


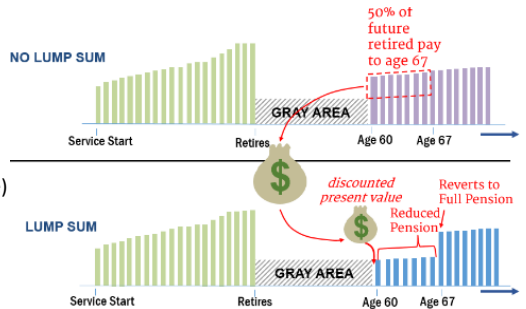


The lump sum option is a feature of the Blended Retirement System (BRS), which gives service members choices at retirement. Service members under BRS who qualify for retired pay, may be eligible to elect either a 25 percent or 50 percent discounted portion of their monthly retired pay as a lump sum in exchange for reduced monthly retired pay. Monthly retired pay returns to the full amount when the service member reaches their full Social Security retirement age, which for most is age 67.

Regular Retirement (Typically of the active duty)






Non-regular Retirement (Typically of the National Guard/Reserve)



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The decision. The decision to elect a lump sum at retirement is entirely up to you. If you do not choose the lump sum option, you'll receive your full retired pay upon eligibility. If you do opt for a lump sum, you'll need to decide if you want 25 or 50 percent of your future retirement payments at retirement. You may receive one lump sum payment or annual equal payments — one a year for up to four years. Monthly retired pay reverts to the full amount at full Social Security age, which for most is age 67.

The tradeoff. When you take either 25 or 50 percent in a lump sum, your monthly retired paycheck will then be 75 or 50 percent of the full value of your monthly retired pay until you reach full Social Security retirement age.

The cost. The lump sum of 25 or 50 percent is discounted to the present value based on an annual DoD discount rate published in June of each year. Note that a lifetime of equal, non-discounted monthly payments is worth more. For most service members, a guaranteed stream of income for life is likely a better option than a lump sum.

The timing. If choosing the lump sum option, you must notify your human resources servicing office **no less than 90 days before retirement** and for National Guard and Reservists no less than 90 days before receipt of monthly retired pay (which is at age 60, or earlier based on creditable active service).

Other considerations:



Taxes. Lump sum payments are considered earned income. Depending on how much money it is, that **might push you into a higher tax bracket.**



Survivor benefits. Payments for the Survivor Benefit Plan will still be **deducted from your remaining monthly retired pay** should you elect the lump sum.



Disability payments. If you expect to receive a disability rating from the Department of Veterans Affairs, dependent upon your rating, **disability compensation could be offset.**

Resources

- ✓ Learn more about BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- ✓ Explore Military OneSource and other financial resources at <http://www.militaryonesource.mil>.
- ✓ Locate an accredited personal financial manager or counselor at your installation's Military and Family Support Center, or search at <http://militaryInstallations.dod.mil>.

The DoD does not take a position on which retirement system a service member should choose.