

HOW MUCH WILL I RECEIVE WHEN I RETIRE FROM THE MILITARY?

Know what to expect when you transition from the military and into a new phase.



By: Rachel Hartman - December 26, 2019

If you served for several years or decades in the military, when you step back into civilian life, you'll be eligible for retirement benefits. These perks take on different forms and might include a pension, health coverage and disability benefits. The specific amount you receive will depend on the length of time you served and your rank in the military. Here's an overview of what to expect, financially speaking, when you retire from duty in terms of:

- Retirement pay.
- Survivor benefits.
- Medical benefits.
- Additional benefits.
- IRA opportunities.

Retirement Pay

The military offers a few retirement plans, so you'll want to see which one you have and how it works. Typically you'll need to serve for at least 20 years to receive full retirement pay. The plans include:

- **Final Pay.** Military members who began their years of active duty or reserve service before Sept. 8, 1980, are eligible for a retirement pension that is based on their final basic pay.
- **High-36.** This plan is available to those who entered active duty or reserve service after Sept. 7, 1980. Members receive retirement pay that is based on the average of the highest 36 months of basic pay.
- **Disability.** Military members who are determined to be medically unable to continue serving and have a Department of Defense disability rating of at least 30% might be eligible for this plan. It calculates a monthly pay based either on the Final Pay or High-36 Plan, depending on which plan is appropriate.
- **CBS/REDUX.** Those who entered the military on or after Aug. 1, 1986, and elected to receive the Career Status Bonus may apply for this plan. The monthly payments are based on the average of the highest 36 months of basic pay, with reductions made if members do not complete 30 years of service.

The amount you can expect to receive every month will be based on your plan and military status. "Depending on which retirement plan was picked, retirement military members receive a percentage, typically 50%, of their base pay while in the military," says Ryan Guina, a Nashville, Tennessee-based Air Force veteran and founder of The Military Wallet. For example, an enlisted member who retired after 20 years at the pay level of E-7 could expect to receive about \$2,400 a month for retirement, or \$28,800 a year. An officer retiring after 20 years at the pay grade of O-5 would receive about \$4,700 a month, or \$56,400 per year.

Survivor Benefits

At retirement, you might choose to pay for a Survivor Benefit Plan, which provides payments for military spouses after the death of military members. There is a cost for the SBP, and the fees are based on the amount the surviving spouse would receive. "It's important for the retiree to discuss the SBP option with their spouse at the time of retirement," says Jenny Campbell, a Fort Myer, Virginia-based member benefits team leader at the American Armed Forces Mutual Aid Association. Consider how financially dependent your spouse is on the military pay to determine what amount might be needed later.

Medical Benefits

After retiring, you can expect to receive military medical coverage. The military's health care program for retired service members is known as TRICARE. "Most military retirees get to reap the blessings of extensive medical benefits," Guina says. "This includes guaranteed medical coverage, even coverage for complex procedures, and the ability to include their spouses in their benefits as well."

Prior to retirement, you'll want to have a medical exam to document any ailments and chronic issues in your file. "Even if the retiree doesn't plan on filing a VA disability claim right away, if an issue worsens later in life, the retiree can establish service connection with the VA if the condition is documented in their military medical record," Campbell says. You could then receive a VA disability rating to receive disability-based benefits.

Additional Benefits

If you retire near a military base, you might be able to take advantage of nearby services. "Most bases have commissaries, exchange shops, gyms and other resources retired military servicemen can utilize," Guina says.

You also may be eligible to receive financial assistance for dentist visits and eye care. "Military retirees and their families now have the option for dental and vision insurance through the (Federal Employees Dental and Vision Insurance Program)," Campbell says.

IRA Opportunities

Retirement benefits for the military have historically been geared toward individuals who dedicated at least two decades to service. "The military pension used to be a direct check for life if you served a minimum 20 years of service," says Galen Bargerstock, an Army veteran, financial advisor and founder of Government & Civil Employee Services in Indiana, Pennsylvania. "It would provide about half of the service member's salary for the rest of their life if they served 20 years." The longer a person served, the higher the pension payout was.

In 2018, the pension plan changed to a new setup, known as the Blended Retirement System. "The new pension plan will still give all the benefits at 20 years of service with about 20 percent less payout than before," Bargerstock says. Service members are also allowed to contribute to an individual retirement plan called the Thrift Savings Plan. Through this plan, members automatically contribute 1% of their salary while in the military. They can contribute more, with the military matching up to 5% of salary per year. "This will allow you to start contributing to an IRA where there is a greater chance of growth based on a person's risk tolerance," Bargerstock says.

Through this system, members are fully vested after three years of service, meaning they are able to keep the matching funds. When members leave the military, they can opt to move it to another IRA if they choose. These funds can grow over time and be withdrawn at retirement.

Galen Bargerstock, president of Government & Civil Employee Services, LLC (GCES), is concentrated on navigating federal and state employees through financial and retirement planning. Galen holds a Pennsylvania Life, Health and Annuity License, as well as Series 6 and 63 licenses.



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