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How much is navy reserve retirement pay

credit Tech. Sgt. Patrick Evenson For Reserve and Guard service members, calculating military retirement pay is an important part of financial and life planning. Eligibility to receive military retirement pay is based on service points earned during service. Those points rely closely on the professional choices a service member makes. Do you need to know how to calculate Reserve or Guard retirement points? Here's how the process works: Military Retirement: An Overview For those serving on active duty, retirement is possible once 20 "qualifying years" of military service have been reached. There are some cases where early retirement is possible with fewer than 20 years of service, but military early retirement is not an open-ended option. You may only be permitted to opt-into early retirement when the Department of Defense authorizes early-out programs. These programs are often run to help the various branches of military service meet end-strength goals. In times when the DoD needs to cut the number of troops currently serving, early-out retirement options are often made available to facilitate those goals. Active duty military members may also medically retire before 20 years of service, depending on the circumstances, but this is not an option the service member chooses. A military medical review board makes the decision (or an equivalent body) at the discretion of the government. Definition Of Terms For this article, you will find the term "Reserve Component" used to describe members of both the Reserve and National Guard. Guard And Reserve Retirement Reserve Components also need 20 years of military service, but calculating years of service differs in active-duty. In this case, it's 20 years of "good service" and can be any combination of service between the Guard and Reserve. Reservists have a different system of doing this than the National Guard. We will examine the separate Guard and Reserve retirement systems, and what is meant by "good service" below. Guard and Reserve members are free to retire when they are eligible, but unlike active duty retirement, Guard and Reserve members can not receive their military pay until age 60. The Definition Of A "Good Year" For Members Of The Guard And Reserve Since retirement points are a key factor in calculating retirement pay and eligibility for retirement, it's good to understand the definition of a "good year." A good year in the Guard or Reserve represents 50 earned points by the service member. Points are awarded for a variety of activities including simple participation (15 points per year) and additional points for various types of active and inactive service: Active Service including Active Duty (AD), Active Duty for Training (ADT), and Annual Training (AT) Inactive Duty Service, including Inactive Duty Training (Paid and Non-Paid), membership, and Non-residential correspondence courses. For active service participation, the Guard or Reserve member earns a single point for each calendar day spent in the Active Service category listed above. No double-dipping on points is allowed, meaning you can earn only one point per day with no other points possible for other activities. Members on Inactive Duty Service may be able to earn retirement points in paid or unpaid status (depending on the type of military service). Points possible may vary depending on the nature of the duty or training performed. Inactive Service duties can include honor guard service for military funerals, weekend Drills, attending professional development courses via distance learning or correspondence courses, and other activities. Weekend Drill periods can earn a service member four retirement points per weekend. How Many Points You Can Earn In A Typical Year In The Guard/Reserve A year's worth of Guard or Reserve service may be worth more than 70 points, including 15 points for participating each year, 48 points for monthly drill activities, another 15 points for annual training which may vary depending on mission requirements) and any extra points earned through continuing education, honor guard detail, being mobilized, etc. The figures listed above are based on a typical year where the Guard or Reserve member serves the normal one weekend each month and two weeks per year of service. If your Guard/Reserve unit is not as active in a calendar year, you may not be able to earn 50 points. Conversely, you may receive far more than 50 points in a year if your unit is especially active. Federal law dictates a cap on how many retirement points you may earn in a single year, which varies depending on when you began military service. What To Remember About Retirement Points And Earning A Good Year Reserve and Guard members may not always earn enough points (50 points per year) to qualify for a good year in any given year. The points still count toward retirement in such cases but do not increase the number of Good Years on the service member's record. Track Your Retirement Points Your retirement points should be current in your military records at all times. You can access these records the way you typically would via your unit orderly room or on your branch of military service's official site. You should, at a minimum, review your service records once per year to make sure you have accurate information listed there. You should also maintain a physical record of your military service as a backup, just in case. It's not just that your electronic service records may be subject to errors, glitches, hacking, or other issues. It's useful to have instant access to your data for both retirement purposes and for any additional benefit or application that may require it. How Much Is Your Retirement Worth? Active duty military retirement may be worth 2.5% of the service member's basic pay for every year served, depending on the retirement plan selected. If you serve the full 20 years, your active duty retirement pay would be worth exactly half of your basic salary. For the Reserve Component member, determining how much your retirement may be worth can be calculated by dividing total retirement points by 360 and comparing the number to the current military pay charts. Rank and time-in-service will count in this calculation. Reservists and Guard members may also be eligible for the Blended Retirement System, which became effective on January 1, 2018. Reservists with more than 4,320 retirement points do not transfer and remain in their previously selected retirement pay plan. Reservists who joined on or after January 1, 2018, are automatically enrolled in the Blended Retirement System. However, a Reserve or Guard member who did not earn 4,320 or more retirement points as of December 31, 2017, has an option to switch to Blended Retirement or stay in the "legacy retirement system." Joe Wallace is a 13-year veteran of the United States Air Force and a former reporter for Air Force Television News. Retirement TSP 401K IRA By Laura Roler, Military Saves Associate, AFC® Candidate, FINRA Military Spouse Fellow A few weeks ago Military Saves published The Basics of Active Duty Retirement, which discussed retirement plans and military pensions for active duty service members. Similar to active duty retirement, members of the National Guard and Reserve also qualify for a military pension after completing 20 years or more of qualifying military service. Planning for retirement is a must when balancing both military and civilian careers, and luckily, if you are in the National Guard or Reserve, you have multiple options. By putting those options to work early, often, and wisely, you will ensure that you have enough money to retire comfortably. There are some key differences between active duty and reserve component retirement benefits that must be understood in order to adequately plan for retirement; most importantly, the age at which you will be eligible to draw payments, which is generally age 60. There are also some differences in how the years of qualifying service are determined. Points System In order to determine how much you will receive from your military pension, you need to determine your qualifying years of service. Due to the multiple missions and time requirements for reservist duty, a points system is used to more accurately convert reserve service to active service. To determine equivalent years of service for reservists' retired pay at age 60, see the calculation below. Total number of Creditable Retirement Points ÷ 360 = Equivalent Years of Service Reserve service points can vary greatly per year, depending upon the drilling status, training schedule, and active duty mobilizations and deployments. At least 50 Creditable Retirement Points must be earned in order to be a qualifying year. Inactive points may be added to any active duty points earned for a maximum of no more than 365 total points per year (366 points in a leap year). After the Equivalent Years of Service are determined, that number is multiplied by 2.5 percent to calculate the Service Percent Multiplier. Retirement Plans Similar to active duty service members, you will generally be expected to choose your retirement plan between 14 ½ and 15 years of service. There are two retirement formulas to choose from; each one results in the percentage of the basic pay that will paid in retirement pension. See the calculation below (courtesy of DFAS): Retired Pay Formula Retired Pay Base x Service Percent Multiplier = Gross Retired Pay Below is a brief summary of each plan: Final Pay Plan – You are eligible for this plan if your entry to military service was before September 8, 1980 Retirement pay is based upon your final rank and length of service as of your retirement date. For each year of service beyond 20, retired pay increases by 2.5 percent of basic pay, up to a maximum of 100 percent of basic pay for 40 years of service. High-3 Plan (or High 36 Plan) – You are eligible for this plan if your entry to military service was on or after September 8, 1980 Retirement pay is based on your average basic pay over the 36 highest earning months (usually your last three years), multiplied by your Service Percent Multiplier, up to a maximum of 100 percent of basic pay for 40 years of service. Most current service members, both active duty and reserve, fall under the High-3 Plan. Because most reservists select the "retire awaiting pay" option rather than separation or discharge, most will transfer to the Retired Reserve until age 60, which allows their seniority within rank to continue to accumulate, and for retirement pay to be drawn at the active-duty pay table in effect that year. Because of this, the highest 36 months for a member who transfers to the Retired Reserve will normally be the 36 months before they turn 60. Example: A reservist who has accumulated the minimum 50 Creditable Retirement Points per year for 20 years has a total of 1000 points. 1000 Creditable Retirement Points ÷ 360 = 2.77 Equivalent Years of Service 2.77 Equivalent Years of Service x 2.5 = 6.94 Service Percent Multiplier Retired Pay Base x 6.94 Service Percent Multiplier = Gross Retired Pay As previously mentioned, reservists are eligible to begin drawing retirement pay at age 60. However, for certain active duty service performed after January 28, 2008, that age requirement may be reduced by 3 months for each cumulative period of 90 days performed in a fiscal year. Other Retirement Options Your military pension and Social Security alone will likely not provide a comfortable standard of living upon retirement. Luckily, you have the opportunity to participate in other retirement plans that will also provide extra income: Thrift Savings Plan: As a uniformed service member, you have the opportunity to enroll and automatically contribute a portion of your basic pay to your account each pay period. Employer-sponsored retirement plans: As a reservist, you have the advantage of holding a civilian job and potentially qualifying for a 401(k) or other retirement plan offered by your employer. You have the option to contribute automatically from your paycheck each month, and in some cases, your contributions may be matched by your employer. Assuming you continue your civilian career after retiring from the Guard or Reserves, you could potentially have 20 or more years to continue saving and building your retirement nest egg. Individual Retirement Account (IRA): You also have the option to create a retirement account outside of your civilian job and the military. There are eligibility restrictions based on income and employment status, but an added benefit of this plan is that your spouse can also contribute. With multiple options for retirement savings, you have your choice of where to save, and what you want your retirement years to be like. Make a plan. Set a goal. Save automatically. Retirees can qualify for different kinds of pay in relation to their position during service. Estimating retirement pay can be a hassle without all of the proper information handy. Different kinds of military pay include: Combat pay Subsistence allowance Housing allowance Hazardous duty pay Flight pay Jump pay Sea pay Submarine duty pay When measuring retirement pay, only basic pay militates, which is received by all members of the military. Monthly basic pay is calculated by an individual's rank and years served. Though in most cases retirement rank is the same as active-duty rank, there are exceptions. If increments of a military career were spent as a commissioned officer, the law demands the member have at least 10 years of service as a commissioned officer. If a member is registered with the High 36 Program, this will not affect commissioned officers. The High 36 Program determines retirement pay by using a member's highest 36 months of basic pay. If an individual entered the military before September 8, 1980, the amount of time spent as a commissioned officer could affect retirement pay considerably. Those who have entered before September 8, 1980, who enlisted first and subsequently became commissioned with less than 10 years of commissioned service, retire using basic pay of the highest enlisted rank held. This rule could have a significant effect on retirement pay as enlisted members generally procure less in basic pay than those considered commissioned officers. Because members retiring from active duty serve full-time, and those retiring from the National Guard or Reserves serve a combination of full and part-time, retirement pay is measured differently. Measuring Active-Duty Retirement Twenty years of active-duty military service is required to qualify for retirement from active duty. To calculate estimating retirement pay: Basic Pay x Number of Years Active-Duty x 2.5% For example, if an individual is an E-6 with 20 years of military service and a basic pay of \$3,243.30 per month, the equation would run: \$3,243.30 x 20 Years = \$64,866 \$64,866 x 2.5% = \$1,621.65 Members may be eligible for these retirement payments or a smaller, averaged amount categorized as "High 3", contingent on when they joined the military. Active-duty members receive retirement pay on the first day of the month after their official date of retirement. Active-duty monthly pay is equally divided between two paydays (the 1st and 15th of each month) whereas those in the High 36 receive retirement pay only on the 1st of each month. Members get their retirement pay on the first business day after the 1st if the 1st falls on a weekend or holiday. Computing Reserve Retirement Points and Pay To measure retirement pay for National Guard and Reserves, the formula is essentially the same as for active duty except for the difference in full-time and part-time service. Members must configure equivalent active-duty time. Retirement points are accrued by members of the National Guard and Reserves. Members are required to perform one weekend of drill per month and two weeks of active-duty training per year, occasionally garnering more time on active duty if attending military training school or if they're called for deployment. Guard/Reserve members are eligible for four points for each weekend drill and one point for each day spent on active duty. Deployments, active duty for training (ADT) (including two weeks of training per year), and attending military school are considered active duty for Guard/Reserve members. Qualifying Years Guard/Reserve members are required to have 20 years of military service to be eligible for retirement and those years must be qualifying years. A qualifying year requires a minimum of 50 retirement points. If a member completes one weekend per month of drill and two weeks per year of active-duty training a year without absence, they accrue 62 points. This margin is advantageous, anticipating incapacitating sickness or emergencies that might warrant an absence. 60/75 Point Rule By law, members can accumulate a total of 60 points per year of inactive-duty time for service before 1996 and 75 points per year for duty performed after 1996. Deployed military personnel are considered active-duty while full-time duty is spent in military schools and is not eligible for the 60/75 point rule because they are not inactive-duty time. An enlisted member deployed to Iraq for the length of one year would earn 365 retirement points. Converting Points to Year To determine how much retired pay a member is eligible to get, calculate the number of equivalent years of service: Total Number of Retirement Points ÷ 360 This formula determines the number of comparable years of service the member completed (comparable to full-time active-duty service). Ten years of equivalent active-duty service amounts to 3,600 points. Figuring payment is the same as for active-duty retirement pay: Basic Pay x Number of Years Equivalent Active-Duty Service x 2.5% Contingent on when a member joined the military determines whether a member is eligible for this amount or the smaller, averaged amount. When to Expect the First Check (Military Retirement Pay) Members retiring from the National Guard and Reserves don't get their retirement pay instantaneously after retirement; they get their first pay at the age of 60. Under the 2008 National Defense Authorization Act, Congress scaled down the age for receipt of Guard/Reserve retired pay by three months for every 90 days of specified duty performed during any fiscal year after January 28, 2008. Retired pay eligibility age can't be shortened below the age of 50. Specified duty includes active duty for deployment to a combat zone and recall to active duty in reply to a national emergency declared by the president or supported by federal funds. The High 36 Retirement Program Congress initiated the High 36 Retirement Program (otherwise known as the High 3 Program) in the 1980's that effectively altered provisions of the final retirement pay for which a member was eligible. Those having joined the military before September 8, 1980, are not affected by the High 36 program. These individuals receive a retirement pay that is their final base pay multiplied by the number of years of active-duty service multiplied by 2.5 percent: Final Base Pay x Number of Years of Active-Duty Service x 2.5 Those having joined the military after September 8, 1980, have a retirement pay that is reduced under High 36. The formula for finding retirement pay is: Average of highest 36 Months of Basic Pay x Number of Years of Active-Duty Service x 2.5 The amount of retired pay differs with each individual because of pay increase factors during the member's final 36 months of service such as: A cost of living allowance (COLA) is made available for military members every January, increasing the basic pay afforded to them. If they have more time-in-service. If they are promoted during the final 36 months of service. Generally, High 36 retirement pay is approximately 10 percent less than retirement pay for those who aren't affected by High 36. Determining What is Taxable – Military Retirement Pay Military retirement pay is accountable to federal income tax. After retirement, veterans specify the number of exemptions they're eligible for on their W-4. The amount deducted from their pay for federal withholding tax each month is based on this exceptions number. The state in which the retiree lives in determines whether or not their retirement pay is subject to state income tax. Some states exclude military retired pay from state income taxes. Veterans can contact their state's veterans' office for additional information about state taxes and military retirement pay. At any time, retired military personnel can alter the amount of tax excluded from their retirement pay by completing a new W-4. Visit "Keeping DFAS Up-to-Date" for more details. Military retirement pay is subject to federal income tax but no FICA (Social Security) deductions. Medical retirement pay is tax-free under the condition a member joined before September 24, 1975, and if the military determines that a member's medical condition is combat related. How Retired Pay Relates to Social Security Military pay does not affect Social Security benefits because retirement pay is not reduced when a member receives Social Security and vice versa. A veteran receiving disability compensation from the Department of Veterans Affairs (VA) has their military retirement pay reduced by the amount of VA disability compensation they receive. The exception for this is if the member is eligible for an offset due to a disability rating of 50 percent or higher, or they're eligible for Combat-Related Special Compensation. Unless for alimony, child support, IRS tax levies, and debts owed by the government, military retirement pay is not improved for commercial debts, contrary to active-duty and National Guard/Reserve pay. If retired a military personnel accepts a federal government job they can carry on receiving their military retirement pay during their federal employment. If or when the member subsequently retires from the federal civil service, they are elected the option to waive their future military retired pay to include their military service in the estimation of their civil service annuity. If a military retiree combines their military retirement with their civil service retirement, they forgo qualification for the disability compensation offset or the Combat-Related Special Compensation programs. Taking the Bonus Congress passed the Career Status Bonus (also known as Redux), under which active-duty military members can opt for a lump-sum bonus of \$30,000 when they have accumulated 15 years of military service after exchanging acceptance of a decreased military retirement pay amount. High 3 allocates retirement pay equal to 50 percent of average basic pay over the three highest income years for those having served 20 years of military service ("The High 36 Retirement Program"). Redux pays 40 percent for a member with 20 years of military service. Each year of military service performed past 20 years results in a reduced percentage gap. That is, for 30 years of service, both plans pay 75 percent of the average of 36 months of basic pay, though many members do not serve 20 years. Redux additionally provides a cap on annual retirement pay and cost of living allowances (COLA). Visit "Getting a yearly pay raise" for more information. Redux retirees have their COLA capped by a full percentage point underneath inflation rate while other military retirees get an annual COLA equal to the cost of inflation. For those 62 years of age, Redux can provide a unique offer of catch-up in purchasing power. However, the capped COLA's continue until death. Leading authorities suggest the Redux deal is disadvantageous considering the average loss in retirement pay over a normal lifespan is approximately \$300,000. The average enlisted member takes a \$30,000 bonus at 15 years (the final amount is reduced after taxes) whereas a retired member of 20 years in the pay grade of E-7 would have a lifetime retirement loss of around \$344,400 (13 times the amount of the bonus). Getting a Yearly Pay Raise Military retirees get an annual cost of living adjustment (COLA) on the first December of each year equivalent to the inflation rate of the respective year. Inflation is based on the consumer price index (CPI). COLA helps military retirees sustain their purchasing abilities each year. If a member accepts the Career Status Bonus (Redux), their COLA is capped at one full percentage point beneath the rate of inflation.

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