

# Lump Sum



Lump sum is an option under the [Blended Retirement System \(BRS\)](#) that allows service members to choose a lump sum payment upfront as an advance on their retired pay. Choosing the lump sum option could include the opportunity to pay off debts, buy a house, start a business or invest money in a future goal. Read on for information about trade-offs, timing and more.

## Lump Sum Basics

### The decision.

- Full retired pay upon eligibility -or-
- Lump sum payment of either 25% or 50% of your estimated retired pay.
- 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 trade-off.** By taking either 25% or 50% in a lump sum, your monthly retired paycheck is reduced to 75% or 50% 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% is discounted to the present value based on an annual Department of Defense discount rate published in June of each year.
- Note that a lifetime of equal, nondiscounted monthly payments may be worth more.
- For most service members, a guaranteed stream of income for life is likely better than a lump sum.

### The timing.

If choosing the lump sum option:

- Active duty: Notify your servicing personnel office no less than 90 days before retirement.
- National Guard and reserves: Notify your servicing personnel office 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



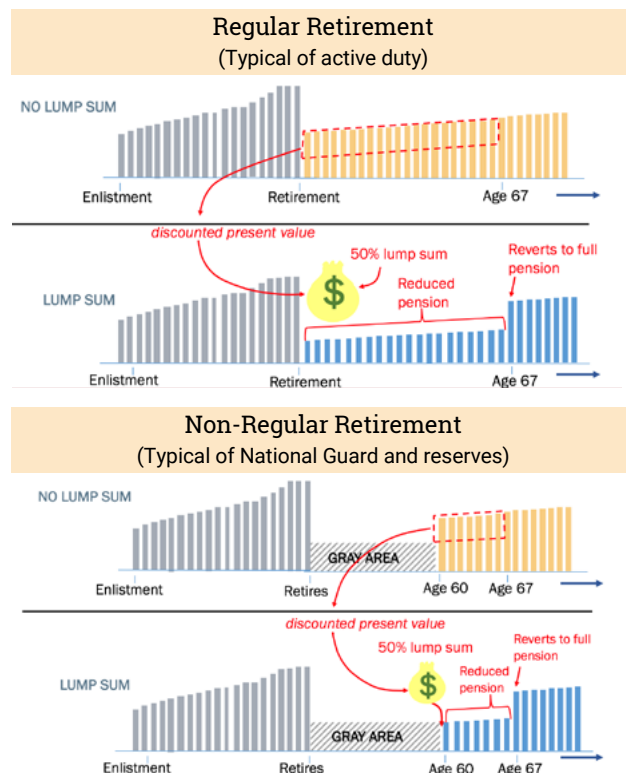
**Taxes.** Lump sum payments are considered earned income. Depending on the amount, this **might push you into a higher tax bracket.**



**Survivor benefits.** If you purchase coverage under the Survivor Benefit Plan upon retirement, be sure to **consider the monthly payments when determining your retired pay** after electing the lump sum.



**Disability payments.** If you expect to receive a disability rating from the Department of Veterans Affairs, dependent upon your rating, **disability payments may be reduced by receiving a lump sum.**



## Resources

- Learn more about the BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- Locate a personal financial manager or counselor at your installation's Military and Family Support Center, or search at <https://installations.militaryonesource.mil> or <https://finred.usalearning.gov/pfcMap>.
- Estimate your lump sum payments and see the impact on your retired pay using the BRS calculator at <https://militarypay.defense.gov/Calculators/Blended-Retirement-System-Standalone-Calculator>.



Download the DoD financial literacy app, Sen\$e, for finances at your fingertips. Find it in the [Google Play](#) and [iOS](#) app stores.

As you reach new milestones and complete your [service's financial readiness training](#), look to the [Office of Financial Readiness](#) and your service for additional trusted resources.

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