The National Defense Authorization Act of 2016 includes major changes to the military retirement system. The changes are currently slated to take effect in 2018, with eligible service members having the entire year to choose whether to retain their current benefit structure or opt in to the new system. If you are an active-duty officer or enlisted member of the military, here are some key facts to know about the impending changes:

1. If You Do Nothing, You Will Keep Your Current Retirement Plan.

As noted on the Department of Defense (DOD) website, “Everyone serving today is grandfathered and can stay under the current system.” If you are satisfied with your current plan, you can keep it, and the changes will not affect you personally.

2. Only Service Members with Fewer than 12 Years of Service are Eligible to Switch Plans.

Only service members who have fewer than 12 years of service as of December 31, 2017 are eligible to switch to the new retirement system under the National Defense Authorization Act. More-senior members of the military will have to remain under their current plan (either the Final Pay, High 36 or Career Status Bonus/REDUX).

3. The New System Provides for Reduced Defined Benefits with Additional Contributions.

Under the current Career Status Bonus/REDUX system (which covers those who entered the military after August 1986), service men and women are entitled to a defined benefit after 20 years of service. The new system will reduce this defined benefit, but also provide for government contributions to service members’ Thrift Savings Plans (up to a five percent match) and a continuation bonus at 12 years. According to Military.com, “This will result in higher retirement income for most

members, and allow people who don't complete the 20 years required for full retirement to save some money towards their retirement."

4. More Information is Available from the DOD.

The DOD expects to release more information on the new retirement system and to provide training to service members throughout 2017. You can also find additional information here:

- Video: The 2018 Blended Retirement System Explained
- The Uniformed Services Blended Retirement System

5. Your Military Retirement Benefits are an Important Component of Your Estate Plan.

Regardless of whether you switch retirement systems in 2018, it is important to make sure that you have appropriately addressed your military retirement in your estate plan. Your retirement savings plan could very well be one of the largest assets you leave to your family, and it is critical not to leave any questions about the distribution of your retirement assets unanswered.

When it comes to estate planning for retirement savings, there are several options available. To discuss your options in confidence, schedule a free initial consultation at The Nordhaus Firm today.

Talk to an Estate Planning Lawyer in McKinney, TX

With offices in McKinney, The Nordhaus Firm provides comprehensive estate planning services for military service men and women throughout Texas. If you would like to speak with a lawyer about your estate plan, call us at 214-726-1450 or contact us online to schedule a complimentary consultation.