

MODULE 1

Teacher's Guide

Know What You Have — Retirement Pay, TSP & Social Security

Who this guide is for

This guide exists so you can step into class feeling *confident*, not just prepared. You are not expected to be a financial planner — you are an educator. Your job is to help veterans understand benefits they've earned, point them to the right resources, and encourage them to seek personalized advice from qualified professionals.

Each topic below gives you a plain-English explanation, the numbers worth memorizing, questions students are most likely to ask (with answers you can give), and pitfalls to avoid. Read the topic for a given week *before* class. You do not need to read the whole guide at once.

YOUR NORTH STAR — The One Rule

You are an **educator**, not an **advisor**. When a student asks "what should I do?" your answer is always: "Here's how it works — here's what to consider — then talk to a fee-only financial planner, your VA benefits counselor, or a tax professional." Never tell a veteran when to claim Social Security, when to withdraw TSP, or what investments to choose. Not because you don't want to help — but because their situation has details you don't know.

What's in this guide

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Part 1 — Military Retired Pay

High-3 — How the Formula Works

Most retired veterans in your class are paid under the **High-3 system**. The formula is simple arithmetic. You multiply three things together:

$$\text{(Average of the highest 36 months of basic pay)} \times \text{(Years of service)} \times 2.5\%$$

Worked example: A retiree whose highest 36 months averaged \$7,000/month and who served 20 years gets: $\$7,000 \times 20 \times 0.025 = \mathbf{\$3,500 \text{ per month}}$. Thirty years would be \$5,250/month. Each extra year adds 2.5 percentage points to the multiplier.

The pay is adjusted every January for inflation through a **Cost-of-Living Adjustment (COLA)**. COLA tracks the Consumer Price Index, so purchasing power is roughly preserved over decades. This is a huge deal. A civilian pension that doesn't adjust for inflation loses about half its value over 25 years. Military retired pay doesn't.

KEY NUMBERS

Multiplier per year of service	2.5%
Years needed for standard retirement	20
20-year multiplier	50% of High-3
30-year multiplier	75% of High-3
40-year multiplier (maximum)	100% of High-3
COLA frequency	Annual (January)
Taxed at the federal level?	Yes

IF A STUDENT ASKS...

Q: Is my retired pay under High-3, Final Pay, or BRS?

A: Depends on when they entered service. **Final Pay:** entered before Sept 8, 1980. **High-3:** entered Sept 8, 1980 – Dec 31, 2017 (nearly everyone you'll teach). **BRS (Blended Retirement System):** entered on/after Jan 1, 2018, OR opted in during the 2018 window. BRS has a smaller pension multiplier (2.0% instead of 2.5%) plus a TSP match.

Q: Why is my gross retired pay lower than my formula says it should be?

A: Almost always the **VA Waiver**. If they receive VA disability compensation, retired pay is reduced dollar-for-dollar by that amount (we'll cover this in Part 2). CRDP or CRSC may restore some or all of it — that's Module 2.

Q: Where do I see my pay details?

A: **myPay** at mypay.dfas.mil. It shows gross pay, deductions, net, and their 1099-R tax statement. Anyone without an account can set one up with their Social Security Number and a mailing address on file with DFAS.

WATCH OUT — Common Confusion

Students sometimes confuse **retired pay** (from DoD/DFAS, taxable) with **VA disability** (from the VA, tax-free). These are two separate checks from two separate agencies. Pension and compensation are *different words* in the benefits world — don't use them interchangeably.

Reading the Retiree Account Statement (RAS)

DFAS mails a **Retiree Account Statement (RAS)** whenever pay changes. Most veterans glance at the bottom line and file it. You want to teach them to actually read it, because that's where discrepancies show up.

The RAS shows line items that build up to the net deposit. Memorize this vocabulary:

- **Gross Pay** — the base retired pay (formula output)
- **VA Waiver** — reduction from receiving VA disability (dollar-for-dollar)
- **SBP Premium** — Survivor Benefit Plan deduction (if enrolled; covered in Module 5)
- **Federal Tax Withholding** — based on the retiree's W-4P election
- **State Tax Withholding** — only if the state taxes military retirement
- **CRDP / CRSC** — restored pay (if they qualify; Module 2)
- **Net Pay** — what actually hits their bank account

IF A STUDENT ASKS...

Q: *My RAS says my VA Waiver is wrong — what do I do?*

A: This happens when the VA changes a disability rating and DFAS hasn't caught up. The systems don't talk to each other in real time. Tell them to contact DFAS (1-800-321-1080) and keep a copy of their most recent VA award letter.

Q: *Can I change my federal tax withholding?*

A: Yes — submit a new **W-4P** through myPay. This is a common adjustment veterans make after they start Social Security, because total taxable income jumps and their old withholding is no longer enough.

Part 2 — VA Disability & the VA Waiver

What VA Disability Compensation Is

VA disability compensation is a monthly tax-free payment from the Department of Veterans Affairs for service-connected medical conditions. It is paid based on a **rating** from 0% to 100%, in 10-point increments. Ratings are not about "how disabled you are" in an everyday sense — they're a specific scoring system the VA uses to translate conditions into a dollar amount.

The key differences from retired pay:

- **Tax-free** at the federal and state level (retired pay is taxable)
- **Not reduced** by other income, Social Security, or working
- **Continues for life** unless the rating is changed (rare unless condition improves)
- **Can be increased** if conditions worsen or new conditions develop

KEY NUMBERS

Rating range	0% to 100% (10% increments)
Federal tax on VA disability	None
State tax on VA disability	None (all 50 states)
Counts toward Social Security earnings?	No
Approximate monthly at 100% single (2026)	~\$3,831
COLA adjustment	Annual (matches SS COLA)

The VA Waiver — Why This Matters

Here is the concept students struggle with most. If a veteran receives **both** military retired pay AND VA disability compensation, federal law requires their retired pay to be reduced dollar-for-dollar by their VA compensation amount. This is called the **VA Waiver** or **offset**.

Example: A veteran is entitled to \$3,500/month retired pay and \$1,200/month VA disability. Their gross retired pay gets reduced by \$1,200 (the waiver). They still receive the full \$1,200 from the VA — it just moves from DoD's check to the VA's check. Total? \$3,500/month. But now \$1,200 of it is **tax-free**, which is the real benefit.

This is why the VA Waiver looks scary on the RAS but is usually a good thing: the veteran's *net* income goes up because a chunk of pay becomes tax-free. Programs called **CRDP** and **CRSC** (Module 2) can restore some or all of the waiver for qualifying veterans — essentially letting them receive both checks without the offset.

IF A STUDENT ASKS...

Q: I never filed a VA claim. Is it too late?

A: Never too late. There is no deadline for a service-connection claim. Many veterans develop conditions years after service — hearing loss, tinnitus, sleep apnea, back issues, mental-health conditions tied to service. Module 2 covers filing a claim. Point them to a **VSO (Veterans Service Officer)** — the DAV, VFW, and American Legion all provide free filing help.

Q: If my rating goes up, will I lose retired pay?

A: Their retired pay *reduction* (waiver) may increase, but they'll gain more in tax-free VA pay than they lose in taxable retired pay. **Higher rating is almost always better** unless they're chasing specific taxable-income thresholds for other programs.

Q: Does VA disability affect my Social Security?

A: No. VA disability compensation is not "earned income," so it doesn't affect Social Security retirement benefits at any age and doesn't trigger earnings-test reductions. Social Security *Disability Insurance* (SSDI) is a separate federal program with its own rules.

DO NOT SAY — Liability Trap

Do not tell a student "you probably qualify for a higher rating." Rating decisions are highly specific to medical evidence. Instead, say: "A VSO can review your medical records and tell you what claims might be worth pursuing — for free."

Part 3 — Thrift Savings Plan (TSP)

What the TSP Is, In One Sentence

The **Thrift Savings Plan (TSP)** is the federal government's version of a 401(k). If your student contributed during service, they have a TSP account. If they were paid during the BRS era (2018+) or opted in, they also got a match from the government. After retirement, they can no longer contribute, but their balance stays invested and grows (or shrinks) based on fund choices.

Traditional vs. Roth TSP

This is the single most important tax concept in the whole course. Say it slowly.

- **Traditional TSP:** Contributions went in **pre-tax** (reduced their paycheck's taxable income during service). Every dollar they withdraw in retirement is taxed as *ordinary income*. The IRS has been waiting 30 years to tax this money.
- **Roth TSP:** Contributions went in **after-tax** (no paycheck break during service). Every dollar they withdraw in retirement — including *all the growth* — comes out **tax-free** as long as the account is 5+ years old and they're age 59½+.

A veteran can have **both** kinds of money in the same TSP account — the TSP tracks the Traditional and Roth "balances" separately. When they take a withdrawal, it comes out proportionally from each.

The Five Core Funds (G, F, C, S, I)

These are the individual TSP funds. Your students need to know **what they own**, even if you never tell them what to own:

Fund	What it invests in	Risk
G Fund	Short-term U.S. Treasury securities — cannot lose principal. Earns a specific rate set by Treasury law. Think: "guaranteed slow growth."	Lowest
F Fund	U.S. bond market (Bloomberg Aggregate index). More yield than G, but principal can fluctuate with interest rates.	Low-Moderate
C Fund	S&P 500 index — the 500 largest U.S. companies. Apple, Microsoft, ExxonMobil, etc. Long-term growth, short-term ups and downs.	Moderate
S Fund	U.S. small- and mid-cap stocks <i>outside</i> the S&P 500. Higher long-term return potential, higher volatility.	Higher
I Fund	International developed-market stocks (Europe, Japan, Australia, emerging markets). Adds currency risk on top of stock risk.	Higher

L Funds (Lifecycle Funds) are "target-date" mixes of the five core funds, automatically rebalanced to get more conservative as the target year approaches. Someone retiring in 2030 would use **L 2030**. Your older retired students might be in **L Income** (the most conservative), which assumes they're already drawing.

KEY NUMBERS

TSP average expense ratio	~0.048% (about \$5 per \$10,000)
Industry-average 401(k) expense ratio	~0.37% (roughly 8x higher)

Number of individual funds	5 (G, F, C, S, I)
Number of Lifecycle funds	11 (L Income + 10 target dates)
TSP website	tsp.gov
ThriftLine	1-877-968-3778

Withdrawals in Retirement

Retired veterans have four options. Say them in this order — "most flexible" to "most permanent":

- **Leave it.** Money keeps growing tax-deferred in whatever funds it's in. No action required until RMD age (see next page). This is usually the default.
- **TSP Installments.** Set a monthly dollar amount, or have TSP calculate payments based on life expectancy. Can be changed later.
- **Single (partial) withdrawal.** One-time lump sum of any amount \geq \$1,000. Can take as many as they want.
- **Full withdrawal / rollover.** Move the entire balance out — either as cash (taxable event for Traditional portion) or as a direct rollover into an IRA (not a taxable event).

Required Minimum Distributions (RMDs)

Once a veteran reaches **RMD age**, the IRS requires them to start withdrawing a minimum amount each year from tax-deferred accounts (Traditional TSP, Traditional IRA, old 401(k)s). The government wants its tax revenue on money it's been waiting to tax. **Roth TSP and Roth IRAs have no RMDs during the owner's lifetime.**

KEY NUMBERS

RMD age (born before 1960)	73
RMD age (born 1960 or later)	75
First RMD deadline	April 1 the year after RMD age
Subsequent RMD deadline	December 31 each year
Penalty for missing an RMD	25% of the missed amount
Penalty if corrected within 2 years	10% (reduced)
Law that made these changes	SECURE 2.0 Act (2022)

IF A STUDENT ASKS...

Q: Should I roll my TSP into an IRA?

A: You cannot answer this. Trade-offs exist. TSP has very low fees and simple fund choices. IRAs offer more investment options, more flexible partial withdrawals, and Roth conversion flexibility. It's a real decision with real trade-offs. Tell them: *"This is exactly the kind of question a fee-only financial planner can analyze for your specific situation. The military.mmoa.org or napfa.org directories list fee-only advisors who specialize in military families."*

Q: Which fund should I be in?

A: You cannot answer this. Risk tolerance and time horizon are personal. You *can* point out: "If you haven't looked at your allocation in 10 years, that's worth a conversation with an advisor. The L Funds are a reasonable default if you want a hands-off mix."

Q: Can I still contribute to my TSP now that I'm retired?

A: No. Only active federal employees and service members can contribute. Their balance still grows (or shrinks) based on investments, and they can change allocations, but no new money goes in. They could contribute to an **IRA** outside of TSP if they have earned income (a job, self-employment), but retired pay and Social Security don't count as earned income.

Q: *What happens to my TSP when I die?*

A: It passes to whoever is named on **Form TSP-3** (the beneficiary form). This beats a will — whoever is on TSP-3 gets the money, period. Beneficiary designations are covered in Module 5. Remind everyone to check these regularly, especially after divorce or remarriage.

WATCH OUT — The #1 TSP Scam

After a veteran retires, they start getting phone calls and slick mailers from firms offering to "help them manage their TSP" — usually by rolling it into a high-fee annuity or a commissioned broker account. These often charge 1–2% annually, 20–40x what the TSP charges. Warn students: **if someone is pitching them an IRA rollover over the phone, they are being sold to, not advised.** Always verify advisors at sec.gov/investor or brokercheck.finra.org.

Part 4 — Social Security

The Vocabulary First

Social Security has a small set of terms that do a lot of work. If students understand these five, most of their confusion goes away:

- **PIA (Primary Insurance Amount)** — the monthly benefit a worker receives if they claim at their Full Retirement Age. Everything else is a percentage of this number.
- **FRA (Full Retirement Age)** — the age at which they get 100% of their PIA. For anyone born 1960 or later, FRA is **67**. For earlier birth years, it's a sliding scale from 66 to 66¾.
- **Early claiming** — any month before FRA, down to age 62. Reduces the benefit *permanently*.
- **Delayed Retirement Credits (DRCs)** — 8% per year added to the benefit for each year claiming is delayed past FRA, up to age 70. This also is permanent (in a good way).
- **COLA** — annual cost-of-living adjustment, typically announced in October, effective January.

KEY NUMBERS

FRA, born 1960 or later	67
FRA, born 1955–1959	66 + 2–10 months (sliding)
Earliest claiming age (retirement benefit)	62
Latest age with any delay credit	70 (no benefit in waiting past 70)
Benefit if claimed at 62 (FRA 67)	~70% of PIA
Benefit if claimed at FRA	100% of PIA
Benefit if claimed at 70 (FRA 67)	124% of PIA
Delayed credit per year past FRA	+8% (up to age 70)

Spousal & Survivor Benefits

Social Security is designed around the assumption that spouses depend on each other. Two separate benefits come from that:

Spousal benefit: While both spouses are alive, the lower-earning (or non-earning) spouse can claim up to **50% of the higher earner's PIA**, if that's more than their own benefit. They must be at least 62 and the higher-earning spouse must have already filed. Claimed before the lower-earning spouse's FRA, the 50% is reduced.

Survivor benefit: When the higher earner dies, the surviving spouse can step up to **100% of what the deceased was receiving** (or would have received), *replacing* their own smaller benefit. They do not get both — they switch to the larger. This is why the higher earner's claiming age matters for both spouses: if the husband delays to 70 for a bigger check, his widow (if she's younger) also inherits that bigger check.

IF A STUDENT ASKS...

Q: My wife never worked — can she get Social Security?

A: Yes, based on **his** record. She can claim a spousal benefit starting at 62 (reduced) or up to 50% of his PIA at her FRA. When he dies, she switches to 100% of his benefit as a survivor. She does not need any earnings history of her own.

Q: We're divorced — can I still get a spousal benefit on my ex?

A: Yes, if: (1) they were married 10+ years, (2) the student is currently unmarried, and (3) the ex is at least 62. Same 50% rule applies. *The ex-spouse does not need to have filed yet*, and critically, **claiming does not reduce the ex's benefit**, so there's no need to coordinate. Many veterans don't know this.

Q: Will working part-time after I start Social Security reduce my check?

A: Before FRA: yes, there's an earnings test — \$1 is withheld for every \$2 earned above the annual limit (~\$22,000 in 2026). After FRA: no test. Work all they want. Note: withheld money isn't lost — it's recalculated into a higher benefit later.

Q: Does my military retired pay count against Social Security?

A: No. Retired pay isn't "earned income" for the earnings test. They can receive full retired pay plus full Social Security with no offset. VA disability also doesn't count. The earnings test only applies to *wages from a current job*.

The Dollar Math — 62 vs. 67 vs. 70

This is the single most-asked question in the entire course. The honest answer is: *"It depends, and nobody knows for sure, because it depends on how long you live."* But you can arm students with the math.

Worked example (someone with an FRA of 67 and a PIA of \$2,000/month):

Claim at...	Monthly benefit	Annual benefit	vs. claiming at 67
62 (earliest)	\$1,400	\$16,800	-30% for life
67 (FRA)	\$2,000	\$24,000	baseline
70 (max)	\$2,480	\$29,760	+24% for life

The **break-even point** between claiming at 62 and at 67 is roughly age **78**. Between 67 and 70, it's roughly **82-83**. If a veteran lives past those ages, delaying wins. If they don't, claiming early wins. Average U.S. male life expectancy at 62 is about 81. For a healthy non-smoker with good genes and access to VA/TRICARE healthcare: meaningfully longer.

TALKING POINT — What to Actually Say in Class

Frame claiming age around **life situation**, not a "right answer":

- *"If you have a shorter life expectancy or need the money now, claiming at 62 makes sense."*
- *"If you're married and your spouse will outlive you, delaying to 70 gives her a bigger survivor benefit for life."*
- *"If you're still working, delaying avoids the earnings test and builds credits."*
- *"There is no one right answer — but the Social Security Claiming Worksheet (handout) walks through the considerations for your situation."*

THE TRICKIEST QUESTIONS YOU'LL GET

Q: Social Security is going broke — should I claim early before it's gone?

A: No — and this is the most damaging myth in the course. The Trust Fund runs a projected shortfall around 2033-2035, but that does NOT mean benefits stop. If nothing changes, payroll taxes would still cover roughly 75-80% of scheduled benefits. Claiming early to "beat the cut" just locks in a 30% reduction *for life* — which is much worse than any plausible legislative change.

Q: *My friend said I should claim at 62 and invest the difference — good plan?*

A: For that to beat delaying, investments would need to earn well above 8%/year *after taxes and after sequence-of-returns risk*. Delayed retirement credits are a guaranteed 8% per year. Very few investment strategies reliably beat that. And the credit is also a form of longevity insurance — it pays more if you live longer, which is when you'd need it most.

Q: *Can I un-do my Social Security claim if I change my mind?*

A: Yes, but only once and only within **12 months** of starting. They have to repay every dollar received. After 12 months, it's permanent. Separately, at FRA they can **voluntarily suspend** benefits to earn delayed credits — but payments to spouses on their record also stop during suspension.

Part 5 — The Day Before Class

Your 20-Minute Prep Routine

You will teach this class in two hours. Here's a pre-class routine that fits in 20 minutes and makes the difference between "nervous" and "ready."

Step	Notes
1. Re-read Parts 1-4 of this guide	Skim; focus on the Key Numbers boxes. ~8 min
2. Open the presentation and click through all 14 slides	Remind yourself of slide order. ~5 min
3. Have tsp.gov and ssa.gov open in browser tabs	Students will ask for URLs. Be ready.
4. Print backup copies of handouts	Retirement Transition Checklist + SS Claiming Worksheet
5. Put the big disclaimer on your tongue	"I'm an educator, not an advisor. For decisions, here are resources."
6. Have a VSO referral ready	VFW, DAV, or American Legion nearest to your lab
7. Know the time of sunset	Don't let Q&A run past 6:30; respect their evening

Authoritative Resources — Bookmark These

When a student asks a question you can't answer, don't guess. Go here. Keep these bookmarked in the classroom browser.

Topic	URL	What you'll find
TSP	tsp.gov	Official Thrift Savings Plan site — fund details, withdrawal rules, forms.
Social Security	ssa.gov / ssa.gov/myaccount	Create a 'my Social Security' account to see PIA estimates, earnings record, claiming projections.
DFAS (Retired Pay)	dfas.mil / mypay.dfas.mil	RAS, W-4P updates, 1099-R, beneficiary forms.
VA Benefits	va.gov / va.gov/disability	Disability ratings, claim filing, award letters, healthcare enrollment.
Find a VSO	va.gov/ogc/accreditation.asp	Accredited Veterans Service Officers for free claim help.
Fee-only advisors	napfa.org	National Association of Personal Financial Advisors — fee-only fiduciaries only.
Verify an advisor	brokercheck.finra.org	Look up any broker/advisor's history, complaints, licenses.

RMD calculator	irs.gov (search "RMD worksheet")	Official IRS tables for calculating Required Minimum Distributions.
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FINAL REMINDER — If You Only Remember One Thing

Your value to these veterans is not that you know every answer. It's that you care enough to meet with them for two hours a week, you've pointed them at reliable resources, and you've given them the vocabulary to ask better questions of their VSO, their tax preparer, and their financial advisor. That is plenty. That is a lot.