



Defense Travel Management Office

Overseas Cost of Living Allowance Talking Points

I. Talking Points

- Changes in COLA are routinely affected by the economy, and fluctuate from pay period to pay period.
- Due to the most recent decrease in spendable income (the amount spent on COLA-type goods and services), changes in prices of goods and services, and fluctuations in currency – Service members at all income levels stationed overseas will see a change in their monthly COLA payment. The extent of the change depends on a Service member's rank, years of service, number of dependents and location.
 - During the most recent period data was collected, members at all income levels bought less expensive goods and services (e.g., used car vice new car) and spent less money on COLA-type goods and services (such as, clothing, food, auto insurance, etc.)
 - As the U.S. dollar gets stronger, Service members stationed in overseas locations can expect COLA payments to decrease. Members stationed in locations using the Euro can expect their COLA payments to decrease due to the declining value of the Euro against the U.S. dollar.
- Overseas COLA is not a fixed amount and can fluctuate from pay period to pay period. We continue to stress to Service members that because of the fluctuation, fixed expenses, such as rent and car payments, should be based on what Service members can afford without COLA.
- COLA is not pay, it is a supplement to Service members' pay, intended to equalize purchasing power so that members stationed overseas can purchase the same level of goods and services as they could if they were stationed in CONUS. The prices of goods and services overseas are compared with the prices of equivalent goods and services in the United States.
- COLA is a non-taxable supplemental pay allowance, designed to offset overseas prices of non-housing goods and services. Approximately 260,000 members at 600 locations overseas, including Alaska and Hawaii receive COLA payments.
- Rank, years of service and number of dependents determine the actual COLA payment. Changes in spendable income, shopping patterns, prices of goods and services, and currency fluctuations can all cause COLA to increase or decrease.
- Service members can calculate their COLA payment by using the COLA calculator located at: <http://www.defensetravel.dod.mil/site/colaCalc.cfm>. The calculation tool is updated with the current

COLA amount each pay period. The calculator will be updated on October 1st for the changes that will be reflected in the mid-October paycheck.

- To learn more about COLA and other allowances, visit the Defense Travel Management Office website at: <http://www.defensetravel.dod.mil/site/allowances.cfm>. The Defense Travel Management Office maintains central oversight for COLA.

II. Questions

Q1. How many people are affected?

A1. The 260,000 service members stationed overseas will see a change in their COLA rate.

Q2. Is this an example of member pays and benefits being reduced because of budget cuts?

A2. No. Spendable income is adjusted annually and currency fluctuations occur from pay period to pay period. Service members routinely see fluctuations in their COLA payments. Factors such as changes in spendable income, shopping patterns, prices of goods and services, and currency fluctuations can all cause COLA to increase or decrease.

Q3. How much is the average change?

A3. Changes vary based on a service member's rank, years of service, number of dependents and location, along with the currency rate at the time. Service members can calculate their COLA payment by using the COLA calculator located at: <http://www.defensetravel.dod.mil/site/colaCalc.cfm>. The calculation tool is updated with the current COLA amount each pay period. The calculator will be updated on October 1st for the changes that will be reflected in the mid-October paycheck.

Q4. What is "spendable income" and how does it affect COLA?

A4. Spendable Income is the portion of disposable income (the amount of income after taxes) that a member spends on COLA types of goods and services, such as food at home and transportation costs. It is updated annually, while currency fluctuations may change COLA rates every pay period.