OVERSEAS COST OF LIVING ALLOWANCE

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OVERVIEW

The Overseas Cost of Living Allowance (COLA) is a non-taxable supplemental pay allowance, designed to offset overseas prices of non-housing goods and services. It affects approximately 260,000 Service members at 600 locations overseas, including Alaska and Hawaii. Approximately $1.8 billion is paid in Overseas Cost of Living Allowances annually.

HOW OVERSEAS COLA IS CALCULATED

Overseas COLA is intended to equalize purchasing power. The prices of goods and services overseas are compared with the prices of equivalent goods and services in the United States. The result of this price comparison is an index that reflects a cost of living. If prices in CONUS are rising at a greater rate than those overseas, your Overseas COLA will decrease, and vice versa. However, if prices rise or fall at the same rate, your Overseas COLA will stay the same.

Two surveys determine the relative cost of living overseas compared with the U.S.:

- Living Pattern Survey (LPS) - asks Service members where they shop (e.g., Commissary, Exchange, catalog, internet) and what percentage of goods they purchase at each of these places
- Service members can have a direct impact on Overseas COLA indexes by participating in the LPS
- Retail Price Schedule (RPS or Market Basket Survey) - annually prices approximately 120 goods and services based on information from the Living Pattern Survey

KEY FACTS

Overseas COLA is not a fixed amount and may vary for each Service member. Payments are determined by:

- Location
- Rank
- Years of Service
- Number of Dependents

- Overseas COLA is only based on a Service member's income, not a spouses'
- Overseas COLA fluctuations should be considered in household budgeting and fixed expenses, such as car payments, should be based on what a Service member can afford without Overseas COLA
- Overseas COLA will fluctuate based on the exchange rate and could go up or down from pay period to pay period

Visit the DTMO website for more information:

- **COLA Calculator (Rate Query Tool)**
- **COLA Indexes**
- **Pay Tables**
- **Frequently Asked Questions**
- **COLA Video**
- **Current Living Pattern Survey Information**
- **Country Allowance Coordinator Information**

*Information current as of 4/08/2010