

**VOLUME 7B, CHAPTER 19: “GENERAL PROVISION GOVERNING
ALLOTMENTS OF RETIRED PAY”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue, and underlined font***](#).

The previous version dated [October 2021](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
4.8.2	May 2024: Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, “Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, “ dated November 7, 2022.	Revision

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CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

1.1 Purpose

1.1.1. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. The retired pay activity acts solely as an agent of the retiree in the payment of the allotments and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

1.1.2. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include a maximum of six discretionary allotments, as outlined in paragraph 2.1 and Volume 7A.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DISCRETIONARY ALLOTMENTS

2.1 Discretionary Allotments

Retirees are authorized no more than six discretionary allotments. A retiree may start a new allotment as long as the total number of discretionary allotments does not exceed six. Discretionary allotments are identified as “class D” allotments. The retiree must certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted). Discretionary allotments include, but are not restricted to, the allotments described in this section. A retired member may terminate a discretionary allotment upon request using the procedures set out in paragraph 4.2.

2.2 Allotments for Insurance Premiums

Allotments are authorized for paying various types of commercial insurance premiums. This includes payment for life, dental, health, and vehicle insurance. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments to an insurer are made via Electronic Funds Transfer (EFT). The insurer is responsible for

establishing an account for these payments. The start, change and stop dates for the insurance allotments are set out in Tables 19-1, 19-2, and 19-3.

2.2.1. Cash Deposit for Insurance. If a retiree's retired pay account is in a nonpay status due to full waiver of pay, failure to report for periodic physical examination, or the expiration of 3 years after the date the member's name was placed on the Temporary Disability Retired List, the member may request the Department of Veterans Affairs (VA) pay VA insurance premiums by deduction from disability compensation benefits, or the member may pay premiums by sending remittances directly to:

Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

2.2.2. Eligible Allottees. Eligible allottees include:

2.2.2.1. U.S. Government Life Insurance/National Service Life Insurance (USGLI/NSLI);

2.2.2.2. Navy Mutual Aid Association;

2.2.2.3. American Armed Forces Mutual Aid Association (AAFMAA);

2.2.2.4. Dental and Health Insurers;

2.2.2.5. Vehicle Insurers; and

2.2.2.6. Commercial Insurers.

2.3 Allotments to Dependents or Relatives

Voluntary payment may be made by allotment to a spouse, other dependent(s), or to a relative(s) not legally designated as a dependent(s). Allotments must be made payable to the allottee through a financial institution for credit to the account of the allottee. An allottee can be a state agency, court trustee, welfare agency, former spouse, or a child's guardian or custodian. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT payment before starting the allotment.

2.4 Allotment Deposits to Financial Organizations

Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

2.4.1. A financial organization for credit to a savings, checking, or trust account of the allotter; or

2.4.2. A mutual fund or other company or investment firm.

2.5 Allotments for Payment of Mortgage or Rent

Retirees may authorize allotments for mortgage or rent payment to a financial institution, mortgage company, realtor, or landlord.

2.6 Other Allotments

Retirees may authorize an allotment for payment of personal loans; however, the restrictions in paragraph 4.8 apply. Personal loans may include, but are not limited to the following:

2.6.1. Payment of a car loan; and

2.6.2. Payment of a loan to repay consumer credit, such as to a finance company.

2.7 Air Force Retired Members Only

Only retired Air Force members may authorize allotment payments to the Air Force Enlisted Members Widow's Home.

3.0 NONDISCRETIONARY ALLOTMENTS

3.1 Nondiscretionary Allotments

Nondiscretionary allotments of retired and retainer pay are limited to those described in this section.

3.2 Voluntary Liquidation of Indebtedness

An allotment for repayment of indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments for payment of:

3.2.1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the VA;

3.2.2. Any other indebtedness to any department or agency of the U.S. Government (except DoD) debts, to include those assigned to a collection agency;

3.2.3. Delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an [IRS Form 2159](#), Payroll Deduction Agreement;

3.2.4. Delinquent state or local income or employment taxes; and

3.2.5. Loan debt to Navy-Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, or American Red Cross.

3.3 Charitable Contributions

Retirees are authorized to establish an allotment for making charitable contributions to any of the Service Relief Organizations including the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. Payment of pledges for these specified charities is authorized. These payments are for a definite period. Individual organizations are responsible for identifying an account for receipt of payment.

3.4 Savings Bonds Allotments

3.4.1. Purchasing and Establishment of Savings Bonds by Nondiscretionary Allotment. As of October 1, 2010, the U.S. Treasury no longer issues paper savings bonds to federal employees (military, retired, and civilian personnel members) through payroll deduction. Retired members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury through TreasuryDirect. This account can be used to purchase multiple bonds. Members are authorized one nondiscretionary allotment for the purchase of bonds. For information on TreasuryDirect, go to www.treasurydirect.gov.

3.4.2. Establishment of Savings Bonds Nondiscretionary Allotment. To establish an allotment to their TreasuryDirect account, members must either contact the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay or create the allotment through myPay. The following information is required to initiate the allotment:

3.4.2.1. The routing transit number for TreasuryDirect: 051736158;

3.4.2.2. The TreasuryDirect account number provided by Treasury; and

3.4.2.3. The specific dollar amount to be deducted monthly.

NOTE: The myPay system also requires that the member designate the account type, either checking or savings, even though that designation is not applicable to an allotment to a TreasuryDirect account. Send written requests to begin Savings Bonds Allotments to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

4.0 ALLOTMENT ADMINISTRATION

4.1 Definitions

4.1.1. Allotment. An allotment is a definite portion of the retired pay of a person retired from a Military Service, which the retiree authorizes to be paid to a person, institution, or agency. This payment may be for the purpose of supporting relatives or for any other purpose that the Secretary of the military department concerned considers proper.

4.1.2. Allottee. An allottee is a person, institution, or agency to whom the allotment is made payable.

4.1.3. Allotter. An allotter is the person from whose retired pay the allotment is made.

4.1.4. Financial Institution. A financial institution is a bank (to include a military banking facility), credit union, or thrift association.

4.2 Excluded Amounts in Retired Pay Allotment

The amount of retired pay which may be allotted can be limited administratively to exclude amounts required to be withheld for:

4.2.1. Tax purposes;

4.2.2. Liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account;

4.2.3. Cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan;

4.2.4. Garnishments;

4.2.5. Continuing tax levies;

4.2.6. VA compensation; and

4.2.7. Payments to a former spouse.

4.3 Establishment, Discontinuance, and Changes to Existing Allotments

A properly executed DoD ([DD Form 2558](#), Authorization to Start, Stop or Change an Allotment), a written request, or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number are also permitted. In addition, requests may be accepted telephonically from members without written

documentation, but only after the member's identity has been validated. Requests for allotment actions should be provided to DFAS, Retired and Annuitant Pay. Normally, allotments are not established retroactively.

4.4 Administrative Changes

4.4.1. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligations existing at the time the allotment was executed (such as a mortgage payment changed because of variable rate mortgage or change in escrow requirement). Administrative changes may be made without the allottee's consent.

4.4.2. In addition to the situations described in subparagraph 4.4.1, upon notice and request from an insurance allottee, administrative changes may be made without the member's consent under the following circumstances:

4.4.2.1. Death of retired member;

4.4.2.2. Policy terminated;

4.4.2.3. Policy has been surrendered;

4.4.2.4. Policy changed;

4.4.2.5. Policy paid up, no premiums due;

4.4.2.6. Policy not in force; or

4.4.2.7. Lapsed policy.

The allotment will be terminated or reduced at the insurance allottee's request; refund and notification of the returned premium must be forwarded to the retired member.

4.5 Duration of Allotments

Allotments are registered for an indefinite period except in the following circumstances:

4.5.1. Repayment of indebtedness to the United States, to include payment of delinquent Federal income taxes; and

4.5.2. Charitable contributions as specified in paragraph 3.3.

4.6 Allotment Overpayment Responsibilities

Any check issued and mailed to a recipient or transmitted via EFT to the recipient's financial institution for which an entitlement does not exist must be recovered immediately by the issuing office. If an allotment is made after deductions from retiree's retired pay have stopped, and the recipient does not return the amount of that payment, then the office of issuance must start a recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, then the overpayment must be recovered through deductions from the retired pay due the retiree.

4.7 Method of Payment

EFT is the method of payment required for all individual allotments. For a list of exceptions to this requirement see Title 31, Code of Federal Regulations (CFR), part 208.4 ([31 CFR 208.4](#)) and Volume 8, Chapter 1.

4.8 Restrictions

The following restrictions apply to allottees:

4.8.1. Minors. Allotments (except to purchase U.S. Savings Bonds) may not be made payable to children under 16 years of age. Allotments may be made payable to the child's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

* 4.8.2. Retiree Who Has Been Determined Incapable of Managing Their Affairs. Allotments are not payable to a retiree who has been determined incapable of managing their affairs. Such allotments are payable to a guardian or the institution where confined.

4.8.3. Multiple Allotments. See restrictions in paragraphs 1.1 and 2.1.

4.8.4. Special Power of Attorney. A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically grant the authority to establish, change or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

4.8.5. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, then those allotments are stopped administratively by the disbursing officer without the signature of the retiree, as described in section 4.0 and Figure 19-1.

4.8.6. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in paragraph 4.2. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses or is unable, to identify which allotments should be stopped, then the allotments of that retiree will be stopped involuntarily in accordance with the order of precedence contained in Figure 19-1.

5.0 RIGHT TO ALLOTMENTS IN CASE OF DEATH

5.1 Death of Retiree

Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except:

5.1.1. Allotments erroneously established after notice of death of the retiree; and

5.1.2. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

5.2 Death of Allottee

An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. Allotment checks are not subject to expenses incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued the check. The returned checks are then credited to the retiree's account.

Figure 19-1. Order of Precedence

Precedence	Type	Letter Designation
1	Charitable contributions to Army Emergency Relief, Navy-Marine Corps Relief Society, or Air Force Assistance Fund	See Table 19-4
2	Bonds	B
3	Savings	D
4	Loans to service organizations	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home loans	D
8	Commercial life insurance/ AAFMAA	D
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See Table 19-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent Federal income taxes	T

Table 19-1. Effective Dates for Starting Insurance Allotments (D, M, V, or N)

R U L E	If a retired member of	is authorized a class	and the	then start the allotment effective the first day of the month
1	any Military Service	N allotment		before the month in which insurance premium is due (note).
2	any Military Service	N allotment	insurance policy is dated back to save age	in which application is made. Retiree must pay the Reserve to cover previous months by direct payments to VA.
3	the Army, Air Force, or Space Force	D allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
4	the Navy or Marine Corps	D or M allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
5	any Military Service	D or V allotment		submitted by the Veterans Group Life Insurance through the automated data exchange process.

NOTE: A U.S. Government or NSLI allotment deducted for 1 month pays the premium for the succeeding month. For example, if premium for July is paid by allotment, then allotment must be effective June 1.

Table 19-2. Effective Dates for Changing Insurance Allotments (D, M, V, or N)

R U L E	If a retired member of	has a class	and	then stop the present allotment effective the last day of the month	and start the new allotment effective the first day of the month
1	the Army, Air Force, or Space Force	D or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
3	any Military Service	N allotment	the allotment was authorized with an incorrect amount or effective date	before its effective date	specified in the original request or the date requested by the VA.
4	any Military Service	D or V allotment	the Office of Servicemembers' Group Life Insurance (OSGLI) automated data exchange provides a change in the allotment	specified by the automated data exchange process	specified by the automated data exchange process.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N)

R U L E	If a retired member of	has a class	and	then stop the allotment effective the last day of the
1	the Army, Air Force, or Space Force	D or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
3	any Military Service	N allotment	the application for insurance is disapproved by the VA	month before the effective start date of the allotment.
4	the Army, Air Force, or Space Force	D allotment	has insufficient “net” pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a “problem case”	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
5	the Navy or Marine Corps	D or M allotment	has insufficient “net” pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a “problem case”	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
6	the Army, Air Force, or Space Force	D or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.
7	the Navy or Marine Corps	D, M, or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N) (Continued)

R U L E	If a retired member of	has a class	and	then stop the allotment effective the last day of the
8	the Army, Air Force, or Space Force	D or N allotment	dies	(note 1.)
9	the Navy or Marine Corps	D, M, or N allotment	dies	(note 1.)
10	any Military Service	D or V allotment	the retiree or OSGLI requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in Military Service procedural regulations. If OSGLI, stop specified by the automated data exchange process (note 2).

NOTES:

1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.

Table 19-4. Allotments of Retired Pay – General

R U L E	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force	authorized for carryover from active duty	authorized for establish- ment from active duty	Indefinite	Definite
1	purchase of U.S. Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	D	D	D	X		X	
4	commercial life insurance/ AAFMAA (note 3)	D	D	D	X	X	X	
5	repayment of loans to Navy-Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	None	M	None	X	X	X	
7	USGLI and/or NSLI (note 4)	N	N	N	X	X	X	
8	repayment of loans on VA insurance (note 4)	N	N	N			X	
9	payment to financial institution or credit to account of retiree (note 6)	D	D	D	X		X	
10	payment of delinquent Federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X

Table 19-4. Allotments of Retired Pay - General (Continued)

R U L E	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force	authorized for carryover from active duty	authorized for establish- ment from active duty	Indefinite	Definite
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	D	D,V	D		X	X	

NOTES:

1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
3. On the life of the allotter, spouse, and/or child(ren).
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, and/or child(ren) of the retired member having a permanent residence other than that of the retired member.
6. Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under Volume 12, Chapter 33 to operate on an overseas U.S. military installation.
7. Delinquent Federal income taxes are payable to the applicable District Director, IRS.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

REFERENCES

CHAPTER 19 – GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

- 1.1 Title 37, United States Code (U.S.C.),
section 701

2.0 – DISCRETIONARY ALLOTMENTS

- 2.1 37 U.S.C. § 701
2.2.1 10 U.S.C. § 1210(b)

3.0 – NONDISCRETIONARY ALLOTMENTS

- 3.4 31 CFR 363

4.0 – ALLOTMENT ADMINISTRATION

- 4.1 37 U.S.C. § 701
4.7 31 U.S.C. § 3332

5.0 – RIGHT TO ALLOTMENTS IN CASE OF DEATH

- 5.1 Comptroller General B-225873.2
31 U.S.C. § 3727(e)(2)