Here's Why You Shouldn't Be Worried About a Flat COLA

The cost-of-living adjustment (COLA) raise for 2020 is 1.6%. That's certainly not as rosy as the 2019 raise of 2.8%, but it's still cause for optimism.
Although we would all prefer a higher COLA, the good news is that a stable Consumer Price Index—the metric used to determine the COLA raise – means a stable spending dollar. A 1.6% COLA raise will ensure our military retired pay, Survivor Benefit Plan (SBP) annuities, Social Security checks, and veterans' disability compensation keep up with inflation.

However, stability for military retirees and others who benefit from the COLA bump isn't guaranteed. MOAA remains vigilant in monitoring the CPI and COLA, making sure Congress does not try to slight this methodology of protecting your purchasing power by reducing COLA or changing the computational factors in ways that would harm beneficiaries.

As you may recall, MOAA was instrumental in repealing a 2015 law under which future military retirees would have had their annual COLA capped 1 percentage point below inflation until age 62. Using today's dollars and the 2019 military pay table, for an O-5 retiring this year with 20 years of service, that "COLA-1%" would have amounted to a loss of $160,000 over the next 20 years!

Behind the Numbers

Some of the biggest factors that influence your COLA include the prices of:

- Food
- Clothing
- Housing
- Fuels and transportation fares
- Medical services and drugs

With the price of fuel stable compared to last year, for example, we've seen a modest CPI rise.

Historically, a COLA raise is not always guaranteed. Click here for the annual figures since 1975, which show a 0.0% COLA increase on three occasions (2015, 2010, 2009).

Measured price changes on consumer goods over time determines the annual COLA. The calculation is made by comparing the average CPI from July through September of the current year to the average for the same months of the year prior.