



How Overseas COLA is Calculated

Overseas COLA is intended to equalize purchasing power to ensure members can purchase a similar level of goods and services overseas as they could if they were stationed in Contiguous United States (CONUS).

Overseas COLA is calculated by comparing the prices of goods and services overseas with average prices for equivalent goods and services in CONUS. The result of this price comparison is an index that reflects a cost of living. Members will only receive a COLA if the costs are higher at an overseas location than average CONUS. If prices in CONUS are rising at a greater rate than those overseas, a member's Overseas COLA will decrease, and vice versa. However, if prices fluctuate at the same rate, a member's Overseas COLA will stay the same.

Two surveys determine the relative cost of living overseas compared with CONUS:

- Living Pattern Survey (LPS) - asks service members where (what outlets) they shop and what percentage of goods they purchase locally, at the Commissary/Exchange, and via online retailers/mail-order shopping. Service members can have a direct impact on Overseas COLA indexes by participating in the LPS every 3 years.
- Retail Price Schedule (RPS or Market Basket Survey) - annually captures prices for nearly 120 goods and services based on outlets identified in the most recent LPS.



OVERSEAS COST OF LIVING ALLOWANCE

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. Overseas COLA is paid to over 230,000 service members at a cost of \$1.7 billion annually. For Overseas COLA policies, see the Department of Defense Financial Management Regulation (FMR), Volume 7A, Chapter 68.

Key Facts

- Overseas COLA is not a fixed amount and may vary for each service member based on the member's location, pay grade, years of service, and number of dependents.
- Overseas COLA is based on a service member's 'spendable' income; it does not consider a spouse's income.
- Overseas COLA fluctuations should not be considered in household budgeting. Fixed expenses, such as car payments, should be based on what a service member can afford without the allowance. Overseas COLA will fluctuate based on the exchange rate and can increase or decrease from pay period to pay period.

Helpful Resources

Overseas COLA Calculator

<https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/Overseas-COLA-Rate-Lookup/>

Overseas COLA Policies in the DoD FMR

https://comptroller.defense.gov/Portals/45/documents/fmr/current/07a/07a_68.pdf

Active COLA Living Pattern Surveys (LPS)

<https://www.travel.dod.mil/Allowances/Overseas-Cost-of-Living-Allowance/Overseas-COLA-Data-Collection-Surveys/>

FAQs: <https://www.travel.dod.mil/Support/ALL-FAQs/Article/2963206/OCONUS-cost-of-living-allowance/>

DoD Overseas Station & Housing Allowance Process Guide

https://media.defense.gov/2022/Jul/13/2003034513/-1-1/0/DOD_OVERSEAS_STATION_AND_HOUSING_ALLOWANCE_PROCESS_GUIDE.PDF