



Defense Travel Management Office

Overseas Cost of Living Allowance (COLA) Key Points

- COLA is a non-taxable supplemental pay allowance designed to offset the higher overseas prices of non-housing goods and services so that Service members can afford to purchase the same level of goods and services overseas as they could if they were stationed in the Continental United States (CONUS)
- COLA is intended to equalize purchasing power between CONUS based members and their overseas counterparts
- COLA is impacted by prices in CONUS and only compensates for specific, non-housing goods and services
- COLA can change each pay period due to exchange rate fluctuations. Because of these fluctuations, fixed expenses, should be based on what Service members can afford without COLA
- COLA should not be confused with maintaining a certain quality of life, or as a “quality of life allowance”
- COLA is based on a Service member’s income, not a spouse’s
- Rank, years of service and number of dependents determine the actual COLA payment
- COLA payment rates vary for each military Service member from location to location due to specific Retail Price Schedule (RPS) and Living Pattern Survey (LPS) data detailing where and how Service members and their families purchase goods and services
- Service members can have a direct impact on their COLA indexes by participating in a Living Pattern Survey (LPS). This survey captures the collective shopping behavior in an overseas location