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RELEASE #2009-03-18-1

2009: THE YEAR OF THE NCO

March 18, 2009

Servicemembers' overseas cost of living allowance to decrease starting in May

U.S. Army Europe Public Affairs Office

HEIDELBERG, Germany –U.S. Army Europe Soldiers will see a drop in their monthly cost of living allowance payments starting in May, finance officials announced this week.

Officials at the Department of Defense Per Diem, Travel and Transportation Committee said overseas COLA is designed to help keep servicemembers' purchasing power about the same as their counterparts stationed in the continental U.S.

“The allowance is intended to offset the high costs of some goods overseas, but only to a level equal to what families are experiencing in CONUS,” Stephen Westbrook, director of the per diem committee explained to delegates at last year's U.S. European Command Quality of Life conference. “It is not intended to reimburse servicemembers' expenses, nor is it designed to compensate for nonavailability of items.”

“The bottom line is that prices in the United States are rising at a higher pace than in Europe, so the gap has narrowed and COLA is going down accordingly,” said Col. Mary L. Ensminger, U.S. Air Forces in Europe Directorate of Financial Management and Comptroller.

Finance officials said the reduction will be phased in from May through August to ease the financial burden on servicemembers, finance officials said.

For example, a servicemember in the pay grade of E6 with three family members will see his monthly COLA rate drop from the current \$628 to \$418.67 by August in increments of about \$52.33 per month during that period, according to estimates provided by officials at USAREUR's 266th Financial Management Center.

Annual survey data from Germany and the rate of inflation data collected in the United States during the last two years show the purchasing power gap has narrowed from 24 to 16 percent because the prices of goods and services in the U.S. are rising at a greater rate than in Germany, finance officials said.

Westbrook recommended that families pay attention to financial trends in the United States to better understand changes to their overseas COLA.

“Remember that you receive COLA only when the cost of living in your area is higher than it is in the United States,” he said.

(This article was compiled from releases and information from the Department of Defense, U.S. European Command, U.S. Air Forces in Europe and the 266th Financial Management Center.)



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