

For a military careerist who is eligible to retire from military active duty service, it is contended that the logical and typical approach in deciding "when to retire" would be one of selecting the military career length which maximizes expected future total lifetime income; that is, maximizing the expected income for that portion of the individual's lifetime subsequent to his earliest opportunity to retire from the military organization (after completion of 20 years of active service). We define this period as the "post-retirement-opportunity period" and identify the income received during this period as the "post-retirement-opportunity lifetime income."

After achieving eligibility for military retirement, a military careerist can receive various combinations of four types of income: Military active duty pay; military retired pay; civilian second career pay; civilian second career retired pay.

A careerist who could retire from military service but does not do so continues to receive military active duty pay, but forgoes military retired pay and the opportunity to earn a civilian second career income. Conversely, a careerist who retires forgoes military active duty pay in exchange for military retired pay and the opportunity to earn a civilian second career income.

As the length of an active duty military career is extended beyond the minimum required for military retirement, the tenure of receipt of military retired pay and the potential period during which second career income may be received are obviously shortened. The individual's economic maximization problem thus becomes one of selecting the optimum "mix" of military and second career lengths.

Some of the considerations which may affect the determination of an optimum include:

1. Military retirement pay increases as the length of a military career increases.
2. Continued military service may bring an increase in active duty compensation as a result of promotion and/or reaching longevity pay increase points. Either type of active duty pay increase also serves to increase subsequent retirement pay.
3. It is generally assumed that job opportunities and incomes in second careers decline as military retirement age advances.
4. Second careers also offer potential pension benefits. However, the value of these benefits will decline as the starting age advances and the potential years of civilian second career employment decrease.
5. In large measure, the individual's capabilities, skills, and education determine his civilian employment opportunities. Thus, those with low civilian employment potential will find delayed military retirement more financially rewarding (or less of a financial sacrifice) than will those with a higher employment potential.

III. THE IMPACT OF MILITARY CAREER LENGTHS ON INCOME MAXIMIZATION

The very small number of enlisted personnel who serve beyond the minimum military career length and the growing numbers of officers who retire soon after completion of 20 years service offer strong evidence that military personnel are, in the main, convinced that short