



Money & Mobility

For Military Personnel and Families



Note: The content in this material is believed to be current as of this printing; however, over time, legislative and regulatory changes, as well as new developments, may date this material.

This booklet is meant to provide general financial information; it is not meant to substitute, or supersede, professional or legal advice.

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Introduction: The Value of Being Financially Prepared

A life in the military means a life of change—including changes in duty stations and deployments around the world. This life of moves can be a positive experience—for you and for your spouse and children. Moves can provide unique opportunities for a broadening of perspectives as well as career and personal enrichment. Deployments, too, can be positive. Many servicemembers view deployment as a meaningful way to fulfill their duty to the nation.

Of course, a life of moves also can be stressful. “Pulling up roots” isn’t easy and it can be expensive. The difference between a painful move and a positive one often depends on your family’s level of readiness—especially financial readiness.

To help you and your family financially prepare for moves or deployments, the National Endowment for Financial Education® (NEFE®), the FINRA Investor Education Foundation, and the National Military Family Association have joined forces to bring you a new version of this popular booklet, updated to reflect the military’s changing mission. Its purpose is to help you “bank” on a life of changes—because, so often, what we have in the bank and in investments will determine whether change is met with welcome or with dread. Over 1 million copies of this booklet have been distributed to servicemen and women, family members and financial educators since 2006.

Much of this booklet is written for active duty servicemembers, married or single, with children. The first chapter contains information for active duty servicemembers on deployment and for National Guard and Reserve members called to active duty. The final chapter on investing may be helpful to all servicemembers. If you are married, we urge you to share this booklet with your spouse and discuss the financial steps you can take—together or separately—to prepare for deployment or to move to the next permanent change of station. We also urge you to include your children in some of the age-appropriate financial discussions and decision making. Talking openly with them about money will provide valuable information they can use throughout their lives.

The National Endowment for Financial Education, the FINRA Investor Education Foundation and the National Military Family Association are honored to make this booklet available to you. We understand that your commitment to our nation’s defense is not based on financial motives. Knowing your family’s financial needs have been addressed can eliminate worry and enable you to focus on your mission. In short, your financial preparedness has an affect on military readiness—and can lay a solid groundwork for your future.

A Note to Veterans

While this book was written for service-members on active duty, the need to be financially prepared doesn’t end when active duty ends—veterans need to prepare for life changes as well. The rights and benefits that serve veterans’ financial well-being are well documented. Please visit these organizations to get information on financial education tools, financial rights and benefits for veterans:

- **Wounded Warrior Project:**
www.woundedwarriorproject.org
- **U.S. Department of Veterans Affairs:**
www.va.gov
- **Veterans of Foreign Wars:**
www.vfw.org

Chapter 1

When Duty Calls

Whether you are active military, reserve or National Guard, you may be assigned for a year or more to a temporary, unaccompanied tour of duty far from home. As you prepare to protect our national security interests, take some steps to protect your family's security while you are away.



HIGHLIGHTS

- » What steps to take to get your family financially ready for your departure
- » How to handle bills, leases and other financial matters while you are away
- » What Reserve and National Guard members need to know about their jobs and health care insurance

Make a Family Financial Checklist

Even if you are not deploying immediately, start preparing now for your family's financial needs. To ensure that you take advantage of all military benefits available to you, meet with the unit or installation Personal Financial Manager (PFM) to make a financial action plan using the checklist below. Be sure to ask your PFM about your savings options, such as the Thrift Savings Plan (TSP) (see page 71) and the Savings Deposit Program (SDP) (see page 59).

Family Financial Checklist

Housing
<ul style="list-style-type: none">» Mortgage» Apartment or home lease
Car
<ul style="list-style-type: none">» Loan(s) or lease(s)
Finance
<ul style="list-style-type: none">» Credit cards» Loans<ul style="list-style-type: none">• Student• Other» Income taxes
Family Care & Insurance
<ul style="list-style-type: none">» Child care» Family-care plan» Insurance» Life (SGLI, TSGLI, personal)» Car» Homeowners» Renters
Estate
<ul style="list-style-type: none">» Will» Trust» Power of attorney» Health-care proxy and living will» Letter of instruction» Issues for Guard and Reserve members<ul style="list-style-type: none">• Income• Health-care insurance• Returning to your job• Small business owners



Special Military Pay, Benefits and Allowances

The military offers 70 types of special pays and allowances, depending on your deployment and duty status, branch of service and duty station. To find out what compensation beyond basic pay you qualify for, visit www.military.com (click Money). Also visit the official Department of Defense site on military pay at www.dfas.mil/militarymembers.html.



Your Rights Under SCRA

The Servicemembers Civil Relief Act (SCRA) provides many protections and enables you to focus on your military duties without worrying about financial and legal obligations at home. This law applies to all military personnel—those entering the service, on deployments or called to active duty, or whose service is extended. Some of the protections extend to military spouses, others do not. Check with your legal assistance office to review your specific situation.

Under certain circumstances SCRA's provisions:

- ▶ require lenders to charge no more than 6 percent interest on credit cards and other loans you had before military service or activation if your active duty materially affects your ability to pay (the cap does not apply to loans you acquired after you were on active duty);
- ▶ protect you and your family from housing eviction due to nonpayment of rents that are \$3,217.81 a month or less (as of January 2014);
- ▶ entitle you to end residential housing and business property leases, and personal or business car leases;
- ▶ entitle you to be reinstated in any health care plan you had the day before your active duty began if that health care plan was terminated because of your service;
- ▶ delay civil court actions, such as bankruptcy, foreclosure or divorce proceedings;
- ▶ allow you to defer income tax payments for up to six months after discharge;
- ▶ protect your life insurance from being canceled for nonpayment of premiums;
- ▶ permit you to postpone payments on pre-service professional liability insurance; and
- ▶ permit you to terminate a cell phone contract, without penalty, if you receive military orders to relocate for more than 90 days to an area not supported by the cell phone contract; the cell phone service provider must generally reserve the telephone number for up to three years.

To learn more about SCRA, contact your unit judge advocate or installation legal assistance officer. You can find your local U.S. Armed Forces legal assistance office at <http://legalassistance.law.af.mil>. Also see the SCRA guide at www.SaveAndInvest.org/military/scra.

Sample Letter Requesting a Reduced Interest Rate

(Send Certified Mail With Return Receipt)

Date
Your Name
Your Address
City, State ZIP

Creditor Name
Creditor Address
City, State ZIP
Re: Loan #

Dear Sir or Madam:

I am writing to inform you that I have entered active military service. I currently have an outstanding loan with your company and request that you apply account benefits provided by the Servicemembers Civil Relief Act (SCRA).

Under this law, there is a cap of 6 percent annually on any interest charges, including, but not limited to, service charges, annual charges, and fees. This applies when a servicemember's obligation was incurred prior to entry into active duty and his or her current financial situation does not allow full repayment. Due to my military service, I have experienced a significant reduction in income.

Please let me hear from you about this matter as soon as possible. You can reach me at the address I've listed above, by telephone at [fill in your number], or by e-mail at [fill in your e-mail address]. I have included a copy of my military orders.

Thank you for your assistance.

*Sincerely,
[your signature]*



Personal Financial Managers

You have access to a Personal Financial Manager (PFM) who can help you become financially prepared as you get ready for your deployment. Speak with your chain of command to get contact information for a PFM, financial educator or Command Financial Specialist (CFS) at your duty station.

Bills

What Happens to My Mortgage Payment, Car Loan and Credit Card Bills?

If you (and, in some cases, your dependents) will have difficulty making these payments because of your military service, the provisions of the Servicemembers Civil Relief Act (SCRA) may be able to help you. The key to taking advantage of SCRA's provisions is that your military service must materially affect your ability to pay the debt. For starters, you can have interest on loans capped at 6 percent for the time you are in the military. This cap applies only to loans you took out before your military service; it does not apply to new loans acquired while you are on active duty. If requested, lenders also must lower your monthly loan payments to a 6 percent interest rate cap. This is not a deferral of the interest—it is a monthly payment reduction while you are on active duty.

To have your interest rate reduced to 6 percent, you must let creditors know—in writing—about your orders and your intent to invoke the 6 percent cap. A sample letter is provided on page 5. This interest rate cap will last through your active service. When you complete your active service, you must notify your creditors no later than 180 days after you are released from military service. You must include a copy of your orders. If you do make special arrangements with creditors, get the details in writing. Also, be sure to order a copy of your credit report before you leave—and again after you return. Make sure no inaccurate or negative information is listed. Read “Check Your Credit Report” on page 33.

If you do not believe you can pay your mortgage or other loans even with a lower interest rate, talk with your installation's legal assistance office. You may be eligible for other relief.

What About My Student Loans?

The 6 percent cap on loans provided by the Servicemembers Civil Relief Act may apply to some of your student loans, including federally guaranteed loans taken out since August 2008. Some lenders offer to defer student loan payments for deployed military personnel—meaning that you can postpone loan payments until you leave active duty. Speak with your school or student loan administrator to find out what loan payment options you have during your deployment. In addition, there may be some student loan repayment and tuition assistance benefits available to servicemembers. For more information, visit the National Association of Student Financial Aid Administrators (NASFAA) at www.nasfaa.org (click Students, Parents & Counselors, then Resources for Counselors and Unusual Student Circumstances on the left-hand column for a link to the NASFAA's Tip Sheet for Military & Veterans). Also see the U.S. Department of Education www.studentaid.ed.gov's Postponing Repayment section for information about military service deferments.

Will I Have to Pay Income Taxes?

All Americans, even servicemembers, must pay income taxes. However, if you are serving in a designated combat zone or hazardous duty area, your income taxes are not due by April 15. You are automatically granted at least 180 days longer to file your return and pay your taxes.

Military pay earned while in a designated combat zone is not subject to income taxes for enlisted personnel and warrant officers. Commissioned officer pay is tax free up to the maximum enlisted pay plus Hostile Fire or Imminent Danger pay. Federal income tax withholdings will be automatically stopped for servicemembers in a combat zone. No action is required on the part of the individual servicemember. Tax-free military pay can be used to determine whether you qualify for the Earned Income Tax Credit (EITC). The EITC is a credit that may reduce or offset your tax payments. If the credit amount exceeds your tax payments, you get a refund. To qualify for the EITC,

you must file a tax return and meet certain income requirements. To find out if you qualify, visit www.irs.gov (click Individuals then Military). Be sure to calculate the credit with and without military pay earned in a combat zone. In some cases, including your tax-exempt military pay could push you over the EITC income limit. In other cases, including it could enable you to receive a higher refund.

Check www.irs.gov for up-to-date information on the status of the EITC (click Individuals then Military), or download a copy of Publication 3, Armed Forces' Tax Guide.

Servicemembers can also elect to treat military pay earned in a combat zone as earned income to help claim the Child Tax Credit. Contact your installation tax assistance office for help with these tax issues. You can reach the IRS through its military-only email address, combatzone@irs.gov, or its help line at (800) 829-1040.

Leases

Can I End the Lease on an Apartment or Car?

If you have a house or apartment lease and pay no more in monthly rent than \$3,217.81 (as of January 2014), you cannot be evicted for nonpayment while on active duty. The rent amount is updated annually; check with your base legal office for the current rent amount.

If you enter into a lease and then receive permanent change of station (PCS) orders or deployment for 90 days or more, you can end the lease by giving written notice at least 30 days before your next payment is due. This right is given to you by the Servicemembers Civil Relief Act (SCRA).

The SCRA also gives you the right to end a car lease and not be billed for early termination charges, provided you receive PCS orders that station you outside the continental United States or require deployment for 180 days or longer after entering into the lease. Your lease ends when you notify the leasing company in writing and return the car. You may be responsible for charges associated with damage to the car or miles you have driven in excess of what is allowed in your lease agreement.



Active Duty Alert

Protect yourself from identity theft while away by placing an "active duty alert" on your credit reports. This alert requires businesses to verify your identity before issuing any credit in your name, usually by trying to contact you. To place or remove an active duty alert, you, or someone you designate, must contact the fraud division of one of the three major credit reporting agencies (listed below). The agency you get in touch with will then contact the other two for you.

- **Equifax:**
www.equifax.com
(800) 525-6285
- **Experian:**
www.experian.com
(888) 397-3742
- **TransUnion:**
www.transunion.com
(800) 680-7289

(See page 36 for additional information on placing a credit freeze on your reports.)



Servicemembers' Group Life Insurance (SGLI), a low-cost life insurance program, is available to you while on active duty.

Insurance

What About My Life Insurance?

If you are paying premiums on private life insurance, the Servicemembers Civil Relief Act (SCRA) states your insurance company cannot terminate your policy for nonpayment of premiums while you are on active duty. This applies to policies you had in place at least 180 days before your deployment or call to active duty. The SCRA provision is that, while you are on active duty, your insurance company cannot (1) decrease the amount of your life insurance coverage, (2) increase the cost of your premiums, and (3) limit coverage for activities you perform.

You can request that your insurance premium payments be deferred for the length of your military service—and for up to two years after that. But you must repay all premiums and interest within two years of your military discharge. You can also participate in Servicemembers' Group Life Insurance (SGLI), Veterans' Group Life Insurance (VGLI) and Traumatic Servicemembers' Group Life Insurance (TSGLI).

Servicemembers' Group Life Insurance (SGLI)

While on active duty, you can purchase SGLI. It is a low-cost program—as of July 2014, the cost is \$.070 for every \$1,000 of coverage. So for \$100,000 in coverage, you would pay \$7.00 per month. You can purchase insurance in increments of \$50,000, up to a maximum of \$400,000. If you are deployed in a designated combat zone, the Department of Defense (DOD) will pay your premiums for \$400,000 of SGLI. If you have already paid the premiums, the DOD will reimburse you.

When you are released from duty, SGLI coverage will continue for another 120 days. After your release, you have the option of converting your SGLI coverage to term insurance under the Veterans' Group Life Insurance program (VGLI), or to a plan with a commercial company that participates in the SGLI or VGLI programs. If you apply within 240 days after separating from service, you can qualify for a policy regardless of your health. However, if you're healthy, you may find a better deal by buying new coverage on your own. VGLI is much more expensive than SGLI, and the rates increase as you get older. Instead, you may be able to find a level term insurance policy that locks in a low rate for 20 or 30 years. Also be careful with plans that let you convert your SGLI or VGLI to a commercial policy—your conversion option may be limited only to the insurer's whole life policies, and may not be available for lower-cost term policies. Converting to a whole life policy can be a good option if you have medical issues that might make it difficult to qualify for new coverage, or if you want to keep your insurance for more than 20 or 30 years, but it's also a good idea to review your term insurance options if you only need coverage for a set period of time.

For more information about SGLI, visit the Department of Veterans Affairs website at www.insurance.va.gov.

To find out:

- ▶ how much coverage you need, click Life Insurance Tools;
- ▶ how much SGLI insurance costs, click Servicemembers' and Veterans' Group Life Insurance, then SGLI;
- ▶ the names of commercial insurance companies that participate in the SGLI and VGLI programs, click Servicemembers' and Veterans' Group Life Insurance, then SGLI or VGLI; and
- ▶ the answers to SGLI deployment and demobilization Frequently Asked Questions (FAQ), click Servicemembers' and Veterans' Group Life Insurance.

Traumatic Servicemembers' Group Life Insurance (TSGLI)

Every servicemember who has SGLI is automatically enrolled in Traumatic Servicemembers' Group Life Insurance (TSGLI), which provides coverage for traumatic injuries suffered while on active duty. TSGLI coverage will pay a benefit between \$25,000 and \$100,000 depending on the loss incurred. To find information on the types of injuries covered and coverage amounts, visit the Department of Veterans Affairs at www.insurance.va.gov (click Servicemembers' & Veterans' Group Life Insurance, then Traumatic SGLI).

What About My Car Insurance?

Talk with your insurance agent about your car insurance needs while deployed. Some insurance companies will reduce the premium for servicemembers who are deployed—as long as the vehicle will not be used. Or you may be able to save money by dropping collision coverage, since you won't be driving your car. It is a good idea to keep comprehensive coverage, however, which covers your car for any damage or theft while it is in storage. Increasing your deductible can lower your premiums. Some states won't let you drop your auto insurance—even if your car

is in storage—without handing in your license plates. You can find out more about your state's rules by contacting your state insurance department (go to the National Association of Insurance Commissioners' website at www.naic.org for links to state regulators' websites). If you sell your car or terminate the lease on a car, of course, you will not need car insurance during your deployment.

Legal Matters

All adults, not just servicemembers, should have several legal documents prepared and keep them up to date. If your installation has a legal assistance center, people there can help you prepare these important documents—free of charge.

Wills

You need a will, also known as a Last Will and Testament. If you're married, your spouse needs one, too. Your will directs how your assets (what you own) will be distributed and to whom upon your death. You also use your will to name a guardian for your minor children. If you die without a will, your domicile state (your home state, which is the state in which you file your state income tax return) will make these important decisions for you. Having a will can help ensure your final wishes will be carried out.

Powers of Attorney

A power of attorney enables you to name someone (such as a spouse, relative or trusted friend) to handle your finances and other business matters if you are unable to handle them yourself.

Medical Power of Attorney and Living Wills

A medical power of attorney allows you to name a person who will make decisions about your health care if you cannot make them yourself. A living will lets you specify the kind of medical treatment you would want or not want if you are unable to communicate these choices.



Child Care and Other Issues Affecting Your Spouse and/or Children

Who Will Look After My Children and What Additional Money Will My Spouse and/or Children Need?

Knowing who will look after your children is important. Therefore, the military requires all single active duty servicemembers and dual-service couples with children to prepare a Family Care Plan that outlines who will care for their children while away on duty, as well as what provisions servicemembers have made for their children's care and support.

To formulate your Family Care Plan, consider what child care or living expenses may arise because of your absence. Read the following sections and then use the space provided to fill in the amount your spouse and/or children will need when you are away.

Helping Your Spouse

If you are married and your spouse is a civilian or is not deployed at the same time, he or she may be able to care for your children. Even if you already use child care or your children are in school all day, there may be additional expenses while you are away. Think about how your family works. It's likely that the two of you—together or separately—perform such tasks as:

- » looking after the children;
- » buying groceries and making meals;
- » cleaning the home and taking care of the garden or lawn;
- » repairing small items;
- » handling all the jobs that come with family life; and
- » transporting the children to and from various activities.

While you are deployed, all of these jobs will fall—rather heavily—on your spouse's shoulders. He or she may be balancing a job in addition to new or expanded roles at home. The result easily could be a person who is stretched too thin to be an effective parent or employee.



Finding Affordable Child Care

The Department of Defense and the National Association of Child Care Resource & Referral Agencies (NACCRRA) are working together to help you find affordable child care in your community. For information on which program applies to you and for a child care subsidy application, visit NACCRRA at www.naccrra.org/militaryprograms.

Typical Child Care Costs

To find out the average cost of child care in your state, visit the NACCRRA site at www.naccrra.org and click Research and Data, then Supply and Cost.

Operation Military Kids (OMK)

The United States Army partners with America's communities on programs that support youth affected by servicemembers' activation or deployment. To find an OMK partner program in your community, visit Operation Military Kids at www.operationmilitarykids.org.

How can you help prevent some of the stress that will come when you leave?
Consider setting some money aside to help with costs, such as:

- ▶▶ additional baby-sitting, summer camps or similar activities so the solo parent can have “recovery” time;
- ▶▶ additional meals at restaurants to give the solo parent a break from cooking; and
- ▶▶ hiring help for house cleaning, lawn care, repairs or other jobs you usually perform.

Monthly family services or activities (other than child care):

\$ _____

Arranging Care for Your Children

If you have children and are single, or you have children and are married but your military spouse is being deployed at the same time, you must arrange for someone else to care for your children. In conversations with potential caregivers or guardians, openly discuss typical costs of raising your children, proposed child care payments, and how you will handle unexpected child care costs the caregiver or guardian might incur. Also, consider carefully how your children's lives will be affected by a new living arrangement, as well as the cost of it. Here are some things to think about before you begin your search for a caregiver or guardian:

- ▶▶ Does the caregiver live nearby or would the children have to travel to another area?
- ▶▶ Will you pay the caregiver to look after your children?
- ▶▶ Will your children have additional expenses while living with the caregiver? For example, would your children have to take a bus to school instead of walking? Will they need to buy lunches instead of bringing ones from home?

Monthly cost of children living with another caregiver:

\$ _____



Get a Tax Break for Child Care

If your children are younger than 13 and you and your spouse both work (or if one of you is a full-time student) then you may be able to take a tax credit for some of your child-care costs. The child-care credit is worth 20 to 35 percent of the cost of care, up to \$3,000 for one child or up to \$6,000 for two or more children (the lower your income, the larger the credit you can qualify for). For example, if you earn more than \$43,000 per year, have two kids, and pay \$6,000 for their child care, then the maximum credit you can receive is \$1,200. The cost of a babysitter, preschool, daycare and even summer day camp can count if you need the care while you work or look for work. For more information, see IRS Publication 503, Child and Dependent Care Credit.

Tricare for Young Adult Children

Unmarried children are covered by Tricare until age 21, or 23 if attending college full time. After that, they may retain Tricare eligibility until age 26, as long as they remain unmarried, but at a cost. Tricare Young Adult (TYA) requires monthly premiums of \$156 for TYA Standard (in 2014) or \$180 for TYA Prime (in 2014). Premiums are adjusted each December. If purchased, TYA qualifies as minimum essential coverage under the Affordable Care Act.

Special Needs Programs

The Exceptional Family Member Program (EFMP) can help families identify and access services in their new community. Home and community-based services (HCBS) Medicaid waivers are the most commonly sought after waiver by military families with special needs as they provide services above and beyond benefits typically provided by TRICARE. There is considerable variability in the services that states offer under each waiver. In many states, there is limited availability of publicly funded long-term care services and a high demand for services. The HCBS waivers have wait lists that can be several years long and therefore problematic for military families moving every two to three years. However, it is important to apply as soon as you receive orders, because each state prioritizes needs differently, and your family member may qualify and receive the waiver sooner than others if there is a greater medical or urgent need.

For Guard and Reserve Members

Will My Income Change?

If you are a Guard or Reserve member being called to active duty, here's how to find out if your income will change. Look at your employee pay stubs for one month and compare the amount with how much you will earn each month while on active duty. If you don't already know what you will earn on active duty, talk with your commanding officer or pay clerk, or visit www.dfas.mil and click Pay & Allowances.

Note the difference in the two pay amounts. If you will earn less on active duty than you currently do in your job, what is the difference each month? Write the amount here.

Difference in monthly pay: \$ _____

What Happens to My Health Care Benefits?

You have several options for health care—for example, you can use military health care, stay on your employer's plan or consider your spouse's plan.

Use Military Health Care

The military provides health care benefits to Reservists and Guard members called to active service. For Reservists and Guard members on active duty for 30 days or more, the military also offers a health care program called TRICARE. With TRICARE, your spouse and children (dependents) can go to civilian doctors and hospitals that accept patients under this program. That's the upside. The downside for dependents is that not all doctors or hospitals accept TRICARE patients. If your spouse or child needs special care, you may not want to interrupt that care by switching doctors and hospitals. For more information about TRICARE for Reservists and to find out who to contact for assistance in accessing care, visit www.tricare.osd.mil/reserve.

The military also offers TRICARE Reserve Select (TRS), a health care program that provides the TRICARE benefits for a monthly premium to nonactivated Guard and Reserve members and their families. An advantage of participating in TRS is that you and your family will already be acquainted with TRICARE and have an easier transition into the program if you are mobilized. If you are a Guard or Reserve member and are considering enrollment in TRS, check with your current provider to ensure it accepts TRICARE patients. To find out about program benefits and whether you qualify, visit www.tricare.mil/mybenefit (click Tricare Benefits At-a-Glance for plan details, or use the Plan Finder to learn more about the plans that may be available to you).



Who Will Take Care of My Pets?

If you have pets and there is no family member or friend available to take care of them while you are deployed, you might try the Military Pets Foster Project. This program seeks to put pets into foster homes until their servicemember owners return. To learn more, visit www.netpets.org. Your vet also may be able to offer suggestions. Many breeds of animals have their own rescue societies that may be able to help.



Stay on Your Employer's Health Care Plan

Some employers' health care plans stay in effect for as long as employees are on active duty. If you already have health care coverage through an employer's plan, find out what it will cost to keep it during your deployment. You probably will have to pay the same portion of your dependent's health care costs you do now. If you fail to pay your share, you can be removed from the plan. If your employer will keep you on your current plan, make arrangements with the human resources department to pay your part of the cost. This will minimize any inconvenience for your family.

Consider a Spouse's Health Care Plan

If you are married and can't stay on your employer's plan, and your spouse has an employer-sponsored health care plan, consider moving to that plan. You and your children are legally permitted to join your spouse's plan within 30 days of the date your old coverage ends. Depending on the health care plan, you and your children may be able to join a spouse's plan even sooner. As long as there is not a break in coverage of more than 62 days, there will be no pre-existing condition exclusion.

If you are divorced and have children covered under your employer's health care plan, but can't stay on that plan after deployment, consider moving your children to your ex-spouse's plan. Bear in mind, many divorce decrees state which parent must pay for health insurance.

Explore the Uniformed Services Employment and Reemployment Rights Act (USERRA)

If your family lives in an area where few doctors accept patients under the military TRICARE program, or if you don't want to change doctors, consider exercising your health care rights under USERRA. These include the following:

- ▶▶ The right to stay on your employer's health care plan for up to 24 months while on active duty, if you pay up to 102 percent of the cost of the plan while on active duty. That's the full cost of the plan plus a 2 percent administrative fee.
- ▶▶ The right to rejoin an employer's health care plan with no waiting period when you return to work. You will then go back to paying the same amount as every other employee and there will be no new pre-existing condition exclusions—with the exception of service-connected health issues, for which you can receive care through the VA.

Of course, you and your spouse should compare the benefits of moving to his or her plan or exercising your USERRA rights. If your spouse's plan will meet everyone's needs, consider this coverage. Your family may still have to change doctors and hospitals, but the cost of your spouse's plan may be lower.

After looking over your health care options and comparing costs, write down any additional amount you will be paying monthly for health care while on active duty.

Increased monthly cost of health care: \$ _____

Will I Get My Old Job Back?

Thanks to USERRA, your employer is required to give you your old job back—or reassign you to a job that is comparable in pay and status—when you return from active duty. Read “Your Rights Under USERRA” below for more details on this law.

Your Rights Under USERRA

USERRA protects your rights when you leave for service and then return to civilian work—provided you meet eligibility criteria, notify your employer you are leaving a job because of military service, and your cumulative service lasts no longer than five years. USERRA applies to all employers, regardless of the size of the company.

USERRA Provisions

- ▶▶ Entitle you to return to your job after performing military service.
- ▶▶ Protect your participation in an employer's retirement plan. Your time away from the job on military duty cannot be considered a break in service by your employer's retirement plan. In fact, military service counts toward the calculation of your retirement plan benefits.
- ▶▶ Require your employer to continue to contribute to your pension plan. You are entitled to the same pension benefits you would have accrued had you not been on military leave. In other words, if your employer has a pension fund, it must continue to contribute to it while you are on active duty. If you participate in a 401(k) plan or other defined contribution plans, you have up to five years to make up missed contributions—and your employer also must make up any matching contributions. However, the employer is not required to make contributions to your 401(k) account or other defined contribution plans while you are on active duty.



A reserve fund can give your family the peace of mind that allows you to stay focused on your mission.

What Happens to My Small Business?

A small business owner faces the challenge of what to do with a business when called to active duty as a member of the National Guard or Reserves. If you have trusted employees, you can have them run the business in your absence. Otherwise, you may have to sell the business, or temporarily or permanently close it.

The Servicemembers Civil Relief Act (SCRA) has several provisions that help small business owners on active duty. SCRA provisions:

- ▶ limit the amount of interest you have to pay on existing business loans to 6 percent a year during your period of service; you must request this interest rate reduction directly from your loan provider(s);
- ▶ permit you to end business property and business vehicle leases (to learn how, read “Can I End the Lease on an Apartment or Car?” on page 7); and
- ▶ permit you to suspend payments on professional liability insurance and have the insurance reinstated when your military service is done—at the same premium you would have paid if you had not entered service.

It is important to note that if your business is jointly held with a nonmilitary partner or associate, the SCRA protections may not apply to the business.

The Small Business Administration (SBA) offers several programs to assist servicemembers who are called up to active duty. Visit the Office of Veterans Business Development at www.sba.gov.

Military Reservists Loans

If you own a business and either you or a key employee is called up to active duty, you may qualify for a Military Reservist Economic Injury Disaster Loan (MREIDL) loan. These loans help pay for operating expenses that you are unable to pay due to deployment. These loans do not take the place of traditional business development loans offered by financial institutions. For information on loan

terms and to download a loan application, visit the SBA at www.sba.gov/services, click on Loans & Grants, then click Disaster Loans.

Office of Veterans Business Development

Veterans and members of the military community who want to establish a new business or develop an existing one may qualify for veteran-focused loans sponsored by the Small Business Administration. For information on who is eligible for these loans, the loan terms and resources to get started, visit the SBA at www.sba.gov/veterans. You can also contact your local SBA office to find lenders in your area that offer veteran-focused loans.

Debt Relief for National Guard and Reservists

If you have an SBA loan and are called up for active duty, you may be able to defer loan payments or lower your loan interest rate. Contact a local Veterans Business Development Officer for more information, or visit the SBA at www.sba.gov/reservists.

Additionally, the SBA booklet, “Getting Veterans Back to Business,” offers helpful information on restarting your business after you return home from active duty. You can read and request it online at www.sba.gov/reservists.

Plan Your Reserve Fund

An upcoming deployment or call to active duty changes your life substantially. For active military, paying bills and providing for your family’s financial needs are the main financial concerns. Reserve and Guard members face these issues, as well as those related to their civilian jobs and health care insurance. However, these may not be the only concerns. Spend some time thinking about your situation. What expenses could you or your family encounter?

One way to be ready for these changes is to have a “reserve” savings fund. A reserve fund can give your family the peace of mind that allows you to stay focused on your mission. The Reserve Fund Worksheet on page 16 will help you determine how much money you should set aside in case you are deployed or called to active duty. Start now—plan ahead.

Reserve Fund Worksheet	
Item	Monthly Cost
Child-care and caregiver costs for married couples Include extra money needed to pay for activities you would perform if you were home and for money to ease stress on your spouse. Include any amount to be paid for child care that you do not currently pay. Use the total you calculated on page 11.	\$
Child-care and caregiver costs for single parents and married couples who are deployed at the same time Include money to be paid to a designated caregiver for your children, travel money necessary to get children to the caregiver and any additional costs children might face while living with the caregiver. Use the total calculated on page 11.	\$
Income difference If you found that your monthly military pay is less than your civilian pay on page 12, write the difference you calculated here.	\$
Health-care cost difference What health-care option did you choose for your family? Did you obtain care through TRICARE, stay with your current plan, move to a spouse's plan or enroll in TRICARE Reserve Select (TRS)? Did you find that health care insurance will cost more (or less) every month while you are on active duty? If so, write the amount you calculated on page 14 here.	\$
Other costs Include any other expenses not covered in the above categories.	\$
Total Monthly Cost Add up the costs you entered for the items listed above to find the Total Monthly Cost.	\$
Total Amount Needed in Reserve Fund Multiply the Total Monthly Cost by the number of months you will be away from home to find the Total Amount Needed in Reserve Fund.	\$

After reviewing the total amount you should have in your reserve fund, you may feel overwhelmed. Don't let the amount scare you. You can begin to build your reserve fund by taking one step at a time. The first step is reading "Be a Smart Saver" on page 57.



Tips for Talking About Money With Your Spouse

The importance of maintaining an open line of communication about household finances with your spouse and family members before you deploy cannot be emphasized enough. Talking about money issues under normal conditions can be stressful. Talking about them while a household member is on active duty in a remote location can be more so. The following list contains tips to help you initiate financial discussions with your spouse and family members that are productive and may help prevent potential financial difficulties.

1. **Plan ahead and make a list of financial matters to discuss.** You want to make every moment of your conversations count. Collect any documents you may need (*e.g.*, mortgage, loan and other financial papers). Planning ahead helps you get a lot accomplished in a short time, keeps you on track and shortens financial discussions so you can spend more time on other things.
2. **Practice the discussion.** If you're apprehensive about having it, consider sharing your list of discussion points with a trusted friend or confidant. Ask for guidance on how to conduct the discussion. Keep it focused and positive, and make it the most helpful for your spouse.
3. **Give your spouse a heads up about your desire to discuss some financial matters.** Your spouse may need time to locate financial documents before you talk.
4. **Keep your emotions in check.** An approaching deployment is stressful enough for both of you, so try to keep emotions out of your financial discussions. You might consider having a trusted friend or confidant join your discussion to help moderate emotional issues.
5. **Ask your spouse for his or her opinion on the family's financial situation.** Then listen. Stay engaged in the financial life of your family.
6. **Suggest ways your spouse can get financial help.** Financial readiness resources are available through your Family Services or Support Centers.
7. **Discuss ways to manage costs.** Listen to ideas your spouse has for managing costs, then add your own.
8. **Recap at the end of the discussion.** Go over what you and your spouse are going to do after your conversation and express your encouragement.

Using this framework for financial discussions before deployment also prepares you for financial discussions that take place while you are deployed.

PCS Moves: Before and After

Active duty military personnel make Permanent Change of Station (PCS) moves about every two to four years. To prepare for a life of moves, you need to know what to expect both before and after a move. That means asking a lot of questions and doing some research. Then, you need to plan accordingly and set aside funds specifically for making a move.



HIGHLIGHTS

- » What to consider in housing choices—on-base, rent or buy
- » What paperwork to keep handy when you make a move
- » How to check your credit reports for free

How Often Will I Move?

In general, you can expect to move about every two to three years—which gives you time to save between relocations. Still, there may be times in a military career when moves happen almost every year. That’s why it’s wise to start planning for the next move shortly after you’ve unpacked from your last move. This will keep you prepared for deployments or “PCS surprises.”

Military families can explore their housing options by visiting the website for their new installation or Military Installations—go to www.militaryinstallations.dod.mil and select your installation and then Housing Office. State-side military housing is privatized and each contractor maintains its own website. Contact the housing office at your gaining installation for the name of the privatized contractor at your new installation. For step-by-step information on the moving process, visit Military OneSource—go to www.militaryonesource.mil and select Housing. Comprehensive information on transportation logistics and relocation benefits is available at the official DOD Household Good Portal at www.militaryonesource/moving.

Anticipating your next move is important because when your orders do arrive, you may have only a few weeks before your departure. You’ll lower your stress level—and help keep peace in the family—if you make financial planning for a move part of your everyday life.

When Will I Know If I’ll Have On-Base Housing?

Unfortunately, you may not know if on-base housing is available until you arrive at your new destination. Because orders often change, many installations prefer to have you on-site before adding your name to the housing list. If housing is not immediately available, the housing office will give you a rough estimate of how long you have to wait before housing becomes available. The wait could range anywhere from a few months to years.

If on-base housing is available, is it the right choice for you? It can be if you:

- » prefer the schools on the military installation;
- » prefer to live in a military housing setting;
- » enjoy the sense of community provided by this environment; and
- » like easy access to installation facilities and services.

In addition, staying in military housing could give your family time to save for future moves and longer-term goals, such as paying for a child’s college education. So, if you are just starting your military career, have little extra money and military housing is available, seriously consider taking advantage of this benefit.



Military HOMEFRONT: Plan My Move

Military OneSource/moving is a military quality of life program. The Moving Overview contains tips to make your move as stress free as possible. They include:

- Installation overviews that include local schools, child care, health care, youth services and deployment support
- Directories of services available beyond the installation
- Available moving allowances and entitlements

To find out more information about an installation, visit the Military HOMEFRONT site at www.militaryonesource (click Relocation Assistance Program).



What If I Have To—Or Choose To—Live Off-Base?

If installation housing is not available, you will receive a Basic Allowance for Housing (BAH). The amount of your allowance is based on your geographic duty location, pay grade and dependency status. BAH rates follow median rental (not mortgage) costs for local rental housing markets (rather than national average rental costs). So, if an area's median rental cost is \$1,100 per month and you rent a place costing \$1,200 per month, you will be responsible for the extra \$100 per month cost.

Once you arrive at a new duty station, you will receive BAH rate protection. In other words, you will receive published rate increases, but no decreases. Your BAH is based on the servicemember's duty station, not on where you choose to live. To find your allowance and frequently asked questions about BAH, visit www.defensetravel.dod.mil/site/bah.cfm.

Deployments

While on deployment, service members might receive additional special pays or allowances—such as the Family Separation Allowance (FSA), hazardous duty pay, flight pay and hostile fire pay—some of which might be exempt from taxes. These special pays and allowances can temporarily increase your income during the deployment. Upon return from deployment, these pays and tax advantages will stop. After returning from a deployment, service members should scrutinize their financial situation carefully. Specifically, service members should:

- ▶ Compare their Leave and Earnings Statement to previous months' statements to ensure that all adjustments in taxes and special pays or allowances are reflected properly
- ▶ revoke any emergency assistance pre-authorization forms that have not expired, and
- ▶ create a new family budget based on post deployment income.

Service members must ensure that they are no longer receiving these deployment-related special pays and allowances. If these additional pays are still included in the LES, service members should not spend this money and should instead report the error to their unit's pay administrator immediately. Any additional money that should not have been paid to service members will be collected back once the adjustment is processed.

During the deployment, members of reserve and National Guard called to Active Duty may have qualified for certain financial protections under the Servicemembers Civil Relief Act (SCRA). These protections will expire once the service member leaves active duty.

Should I Rent or Buy?

Naturally, the decision to rent or buy a home is a personal one and there are no one-size-fits-all answers. However, the following table provides a few things to consider as you make your decision.

Should I Rent or Buy?		
Considerations	If You Rent	If You Buy
Costs	Deposit, monthly rent payment, renters' insurance and utilities.	Down payment, closing costs, insurance, property taxes, utilities, homeowners' association (HOA) fees and more.
Payments	Rent can go up at the end of your lease.	Fixed-rate mortgages stay the same, but taxes and insurance may increase.
Tax Savings	None.	Mortgage interest, taxes and most mortgage loan points are tax deductible.
Equity (the portion of the property you own)	None.	May increase with every mortgage payment, depending on the terms of the loan; may go up if your home increases in value and may drop if your home decreases in value.
Moving	Easy to move out; possible cost if you move before the lease is up; landlord may ask you to move at the end of a lease. A "military" clause in the lease or renter's agreement should allow you—without penalty—to break the agreement if you are transferred or decide to move on base before the lease ends. Consider having your base housing office review the lease before you sign it.	Takes time and costs money to sell; can be rented, but you will have to manage the property from your new location or pay someone to do it for you.
Timeframe	May be best if you will be living in an area fewer than three years.	Can make sense if you will be living there for five or six years.



I Want to Buy a Home. What Should I Consider?

Homeownership is the American dream—and a big responsibility. Before taking on a mortgage, ask yourself the following questions:

- ▶▶ **Can I afford to buy a home?** If you have completed 90 continuous days of service, you may qualify for a VA loan and possibly may not have to make a down payment. Still, you need to be prepared to pay other expenses such as property taxes, homeowners' insurance, utilities and routine maintenance. How much of your mortgage payment will the housing allowance cover? If not 100 percent, can you pay the difference? To learn more about VA loans, visit www.benefits.va.gov/homeloans.
- ▶▶ **How easily could I sell a house in this area?** Consider the economy as well as housing trends change. A hot housing market can go cold—almost overnight—as many people have discovered over the past few years. How long could you afford your mortgage if your home stays on the market after you are transferred?
- ▶▶ **What tax issues would I face if I sold my home?** Most people won't be subject to capital gains taxes when they sell their homes, as long as their profit is less than \$250,000 if single or \$500,000 if married. To qualify for that exclusion, however, they generally must have lived in their home for at least two of the past five years. But because military families move frequently, the Military Family Tax Relief Act lets them extend that timeframe up to 10 years while on "qualified official extended duty," and serving at a duty station that is at least 50 miles from that home or living in government quarters under government orders. Even if you lived in your home for more than two years, however, you may have to pay capital-gains taxes on your home-sale profits if you make a profit of more than \$250,000 if single or \$500,000 if married.

For more information, talk to a tax adviser or read the Armed Forces' Tax Guide, IRS Publication 3. It is available on the IRS website at www.irs.gov, or you can request a copy by calling (800) 829-3676.

- ▶▶ **How easily could I rent my home?** Instead of selling, you could rent your home when you are transferred. Consider who would provide the necessary maintenance. How would you deal with renters who damage your property or fail to pay rent? There are property management companies that will take on these jobs—for a fee. Would the amount that you can reasonably charge in rent be enough to cover your mortgage expenses and the cost of this service? When buying a home near a military base, some servicemembers and their families look for a house whose mortgage payments would be slightly lower

than the BAH for their rank in that area. By doing that, they could rent the house to another servicemember of their rank, yet still have some extra money to cover any management fees, maintenance and other expenses of being a landlord.

Before jumping into homeownership, consider talking with a housing counselor. The U.S. Department of Housing and Urban Development (HUD) can put you in touch with a free counseling service. Just call 1-800-569-4287 or visit their website at www.hud.gov and click Buy a Home.



Setting Aside Money for Off-Base Housing

The Department of Defense provides on-base housing only when the private sector cannot provide adequate housing. Today, about 65 percent of military personnel live off-base in personally leased or purchased homes. As a result, most of the money you set aside for future moves should be for off-base housing. The following calculation can help you determine how much you should save. It will only be a rough estimate, but it can help you build a realistic moving fund.

1. Find your basic allowance for housing (BAH) from your base finance office, housing office, or from <http://www.defensetravel.dod.mil/site/bah.cfm>. Write down the amount generated by the rate query.

\$ _____

2. Now add a “cushion” in case the BAH does not fully cover your housing cost. Choose a percentage of BAH, perhaps 15 percent. The cushion is the monthly amount you should try to set aside in your moving fund. Multiply it by the number of months you expect to be at one location—at least 18 months is a good start.

\$ _____ x _____ months = \$ _____

This amount may not cover all your housing costs, such as utilities, but it will help defray some of the costs associated with living off-base. Include money in your moving fund to cover housing and/or pet deposits.



One of the benefits of being in the military is the opportunity to travel. Special remembrances or items you pick up along the way may add to your moving costs—especially if items are large or require special shipping and handling during your move. Keeping this in mind during your travels may help you avoid high moving costs.

What Items Will the Military Move?

When you receive your PCS orders, you will receive information about what items will be moved for you, along with a weight limit. The limit will vary depending on the destination (continental United States or beyond), your rank and whether you have dependents. Items not moved by the military must be left behind or shipped at a cost to you. For example, movers may not pack chemicals, such as the majority of liquid cleaning supplies. Consider adding an extra \$150 to \$250 to your moving fund to purchase cleaning supplies and food items you have to leave behind. To help you make decisions on what to travel with, take a look at the Joint Federal Travel Regulations Weight Allowances at www.move.mil (click Before Your Move, and then Weight Allowance).

You will receive a Dislocation Allowance (DLA) to cover many of these expenses, but it may only partially reimburse relocation expenses. It's wise to have the money available in your moving fund. To find out what your DLA will be, visit www.defensetravel.dod.mil/site/otherratesDLA.cfm. Servicemembers can receive pre-move counseling through the DOD Household Goods Portal at www.move.mil.

The Department of Defense provides servicemembers Full Replacement Value (FRV) coverage for personal property that is lost, damaged or destroyed while in the care of a Transportation Service Provider (TSP).

With FRV, your TSP is liable for compensating your personal property loss amounts up to \$5,000 per shipment, or \$4 times the weight of the shipment (in pounds), up to \$50,000, whichever is greater. There is no additional charge to servicemembers for this coverage.

For information on FRV and how to file a claim, visit www.MOVE.mil.

How Do I Transfer My Child to a New School?

A great deal of progress has been made over the last several years to help military families address educational concerns. To address transition issues, the Department of Defense, Council of State Governments and organizations concerned with military children's education created the Interstate Compact on Educational Opportunity for Military Children. The Compact allows for the uniform treatment of military children transferring between school districts and states. Specific issues addressed by the Compact include:

- ▶ timely transfer of records;
- ▶ kindergarten and first-grade entrance age variances;
- ▶ adequate time to complete immunization requirements;

-
- » exclusion from extracurricular activities;
 - » placement in appropriate courses;
 - » missed or redundant entrance and exit testing;
 - » graduation requirements; and
 - » support for children of deployed servicemembers.

All 50 states and the District of Columbia are now members of the Compact, covering nearly 100 percent of school-aged military children.

Transitioning military families should also contact their School Liaison Officer. They are the first point of contact for military families transitioning into a new community. To obtain information on service specific School Liaison Programs, go to www.militaryk12partners.dodea.edu/resources.cfm?colld=liaison.

The good news is that many school districts that include military installations understand the needs of military children. Still, your child may face different courses or the same courses taught at a different level. To help your child make a successful transition, you may want to set aside \$200 to \$300 to pay for a temporary tutor or other school-related expenses.



What About My Car and Car Insurance?

There are vast differences in how your car, driver's license and insurance are treated depending on whether you are transferred within the continental United States or to a non-combat station overseas. Let's look at these separately.

Transfers Within the Continental United States

If you are transferred to an installation within the continental United States, inform your car insurance company of your move. Typically, you'll need to obtain insurance in your new state within 60 days of your move if your current insurance company does not sell insurance in that state. Try to find out before you move what your new insurance rates will be so you can set aside the necessary funds. Ask your current insurance agent or company to put you in touch with an agent near your new location, or you can find an independent insurance agent who works with many insurers through the Independent Insurance Agents and Brokers of America (www.iiaba.org). Bring your insurance paperwork when you meet with your new agent. If you can't find it, your current insurance agent should be able to provide a copy.



Some insurance companies cater to military families and offer insurance that “travels with you” when transferred. In this case, you just need to inform the company of your move. Again, ask about your new rates—state insurance requirements vary, so some of your coverage levels may change when you move. Your premiums may also rise or fall if your insurer considers your new area to be a higher or lower risk than your previous location.

Also, make sure you obtain tangible proof of insurance for your new state shortly after arrival. In addition to thinking about insurance, consider the following:

- ▶▶ If your vehicle is leased, read your lease agreement carefully to make sure you are allowed to move the vehicle to another state.
- ▶▶ Think about how your vehicle (or vehicles) will get to the new installation. Will you (or your spouse) drive the vehicle, transport it with moving equipment or will you need to hire someone to deliver it?
- ▶▶ You must register your vehicle with your new base or post. Your new installation will supply registration information.
- ▶▶ You may need to register your vehicle in the new state; few states require this. If you are transferred to a state that is not your “domicile of record” (home state), find out what vehicle fees and taxes actually apply to you. Not all motor vehicle employees are familiar with registering vehicles for military personnel who are living temporarily in their state. They may try to charge you fees (such as personal property taxes) that don’t apply to you. If this happens, check with your installation for assistance.
- ▶▶ Many states have websites that detail their motor vehicle fees and taxes and explain what charges apply to military personnel.
- ▶▶ Many states don’t require you to get a new driver’s license.

The rules may be different for military spouses who are not a servicemember. Check with the installation legal office for specifics.

Military Spouse Residency Relief Act

Servicemembers can maintain their state of residency even if they receive orders to move to another state—which can make moves less complicated and can make a big difference financially if you had been living in a state without income taxes. But their spouses had to pay income taxes in the state where they actually lived. The 2009 Military Spouse Residency Relief Act changed these rules, allowing the military spouse who is not a servicemember to maintain the same state of residency as the servicemember. Check with your installation legal office for details about how these rules can affect your spouse’s income taxes and other residency issues.

Transfers Out of The Country

If you are transferred out of the country to a non-combat area, bringing your vehicle with you is much more complicated—and expensive. Consider the following:

- ▶▶ DOD will only pay to ship one vehicle overseas (including Alaska and Hawaii).
- ▶▶ Your vehicle will have to go through an inspection in the host country.
- ▶▶ Leased vehicles usually cannot be taken out of the country.
- ▶▶ You will need to obtain an international driver's license and adequate insurance.
- ▶▶ You may need a rental car until your car arrives.
- ▶▶ You will have to pay the cost of shipping if you ship a second vehicle.

To be financially prepared for these expenses, read the information you are given about shipping private vehicles overseas and talk with others who have gone through this experience.

When you have a rough idea of what costs you'll face—whether being transferred within the continental United States or overseas—write that amount here:

\$ _____



Can I Keep My Pets With Me?

Generally, you can keep your pets with you when transferred. Be prepared to pay for shipping costs for your animals, for any necessary vet bills and for items such as kennels or fencing. Also, many duty stations have quarantine requirements for imported animals. Be sure to determine the quarantine requirements for your new duty station and include any of those additional costs in your calculations. Visit Military Installations—www.militaryinstallations.dod.mil, select your installation and then Shipping Pets on the Get to Know the Installation menu.

If you are unable to keep your pets, try contacting the Military Pets Foster Project, which seeks to put pets into foster homes until their servicemember owner's return. To learn more, visit www.netpets.org. Your vet also may be able to offer suggestions. Many breeds of animals have their own rescue societies that may be able to help. As a last resort, look into "no kill" shelters.

Estimate the cost of moving your pets, including the cost to license them and any quarantine or boarding costs that won't be reimbursed. Record that amount here:

\$ _____



What Paperwork Do I Need?

When your move is just around the corner, gather the paperwork and records you'll need to take with you. To get started, review the following Paperwork Checklist.

Paperwork Checklist

- ▶▶ **Military Orders and Identification:** Make sure you know what papers you need to bring with you and what paperwork will be forwarded to your next duty station.
- ▶▶ **Vehicle Information:** Include title or lien papers, lease agreements, inspection papers, vehicle registration, driver's licenses and insurance paperwork.
- ▶▶ **Personal Family and Medical Information:** Include marriage license or divorce decree (if applicable), birth certificates, adoption papers, passports, and medical and dental records.
- ▶▶ **School Information:** Include school and university records, immunizations, and any certificates of completion or diplomas.
- ▶▶ **Legal Paperwork:** Include a copy of all wills, powers of attorney for finances and health care, trusts and child custody paperwork. (Leave the original will with the executor or a trusted friend or adviser. Never travel with the original will and never place it in a safe deposit box where it may be difficult to retrieve.)
- ▶▶ **Pet Paperwork:** Include veterinary records, licensing documentation and pedigree papers.
- ▶▶ **Financial Paperwork:** Include bank or brokerage firm account information, tax information and records of any public assistance received, such as Women, Infants and Children (WIC) benefits.
- ▶▶ **Moving Receipts:** Keep all receipts related to your move. Put them in a central place, such as a separate file folder or even a shoe box. You'll need these receipts to qualify for reimbursements or tax deductions.
- ▶▶ **Other:**



Will My Family Still Qualify for WIC?

The purpose of the Women, Infants and Children program, better known as WIC, is to ensure that pregnant women and young children receive the nutrition they need. Low-income women who are pregnant, breast-feeding an infant or have a child under 5 years old may qualify.

WIC is available in each state and at most military installations overseas. If you qualify for the WIC program, you will receive:

- healthy foods;
- nutrition education and counseling; and
- referrals to other health, welfare and social service agencies.

If you already receive WIC and are about to move, try to get recertified as close to your move date as possible. Talk to your base family center for more details. To find your local WIC office in the United States, visit www.fns.usda.gov/wic. Overseas locations are listed at www.tricare.mil/plans/specialprograms/WICoverseas.

After Your Move: Settle In

The first weeks after a move can be as busy as the days before the move. The best thing you can do is pace yourself. First, settle into your new life. Learn about the local area, research what benefits the new installation has to offer, ease your family through the transition and start making friends. Give yourself a break and then start thinking about financial matters again.

Get Organized

As soon as life settles down, organize your receipts and submit all qualified expenses for reimbursement. Make copies of receipts just in case the paperwork gets lost. You'll also need to note which moving expenses don't qualify for reimbursement but may qualify as deductions on your income taxes. When the reimbursement checks arrive, pay off your bills, and put any extra money away for your next move.

Review How You Did

How much money did the move cost you? Did you have enough in savings to cover expenses that were not reimbursed—or did you have to rely on credit cards or other loans? This is good information to keep in mind as you prepare for future moves.

If you haven't already done so, establish a "moving" file and include dated notes about what worked for you and what didn't work for you during the latest move. As you come up with ideas about how to make future moves easier, file them as well.

Think About Jobs and Education

If the spouse who is not a servicemember wants to work, find out what employment assistance programs are offered on the installation, through Military OneSource and in your new community. Many installations have partnerships with employers in the local community and try to help place spouses. Some even offer training programs to help spouses update their work skills. The National Military Family Association's website provides many career and job-search tools for spouses. For information, visit www.militaryfamily.org (click Get Info, Spouse Employment).



Work-At-Home Scams

Work-at-home scams promise big money for easy work. Learn how to recognize and avoid work-at-home scams that sound too good to be true by reading the Federal Trade Commission's publication *Work at Home Schemes*. Visit www.ftc.gov/topics/jobs—making money.

Additionally, check out work-at-home offers with your local Chamber of Commerce or Better Business Bureau, and your installation's family services office, especially for work-at-home offers targeted at military spouses.

Consider Temporary Agencies

One option for employment is to register with a national temporary employment agency. Some of these agencies provide general office support to companies; others focus on locating specialized talent, such as accountants or nurses. The advantage of working through a national agency is that your work history travels with you.

Since you are working for the same employer—just in a different state—you don't have to reestablish your good reputation.

Consider Self-Employment

Another option for a job is to operate a home-based business. For example, many spouses have used their computer skills, such as programming or Web development, to run home-based businesses that are portable from base to base.

Other ideas for home-based businesses that you can keep operating during a life of moves are:

- » accounting and bookkeeping;
- » child care (properly licensed and certified);
- » food preparation: catering, cakes, specialty foods;
- » graphic design;
- » home interior design;
- » IT networking;
- » software and hardware development;
- » lessons: art, voice, music, dance, sewing, crafts, needlework;
- » personal trainer and tutoring: career, job skills, school academics, sports, fitness;
- » sewing and tailoring;
- » home decor, beauty and cosmetics, clothing and toy sales;
- » virtual assistant; and
- » writing and editing: technical, business and marketing communications.

Speak with local business owners, members of local academic institutions and your neighbors to network and find out who might need your skills. Before starting a home-based business, check with your spouse's base or post to get specific regulations for that business. Also, consider working with a tax professional to find out what self-employment taxes you will be responsible for.

Consider Further Education

Look into local colleges, online universities, community colleges and vocational programs. Your installation's education center has an array of education information for both military personnel and spouses. Additionally, the National Military Family Association's website provides many resources specifically for spouses for getting or staying on the education track. For information on selecting a school, transferring between schools and scholarships, visit www.militaryfamily.org (click Get Info, Spouse Education). Also, consider the following:

- ▶▶ **Explore grants.** Grants can help pay the cost of higher education—and don't have to be paid back. Two of the largest programs are federal Pell Grants and Supplemental Educational Opportunity Grants.
- ▶▶ **Research work-study programs.** These programs help students find jobs while in school. Talk with the school's financial aid officer for more information.
- ▶▶ **Look into Stafford and Federal Direct Loans.** They don't have to be repaid until you stop going to school. Other loans are available but often are costly and could mean making payments while still in school. Before borrowing, review your finances and decide if you can afford a student loan.
- ▶▶ **Visit helpful websites.** The following websites can provide helpful information on financial aid: www.salliemae.com, www.collegeboard.com (click For Students, then Pay for College), www.fastweb.com, www.federalstudentaid.ed.gov, www.finaid.org and www.studentloannetwork.com.





I'm a Spouse With a Job. Will I Qualify for Unemployment When We Move?

Military working spouses may qualify for unemployment benefits in certain states after a move. To determine the availability of unemployment compensation for your spouse in your new duty-station state, visit USA 4 Military Families at www.usa4militaryfamilies.dod.mil (click Key Issues then Unemployment Compensation). Additionally, you can check with the state unemployment office in your new duty-station state.

Military Spouse Transition Through Licensure and Eligibility for Unemployment Compensation

Many occupations require a state license, often with state-specific conditions and processes. Military spouses who work in fields that require such licensing might experience lengthy reemployment delays when moving between states. Because of these delays and the expense involved in re-licensure, some spouses decide not to practice in their professions. This can be a difficult financial and career choice issue for military members and their spouses. One way to avoid this situation is to set aside some money to pay for a new state license and, as appropriate, to cover the cost of maintaining your existing state license through fees and continuing professional education. This should be a key part of your family's relocation plan. You can also ask your new state to support your effort to obtain its license by:

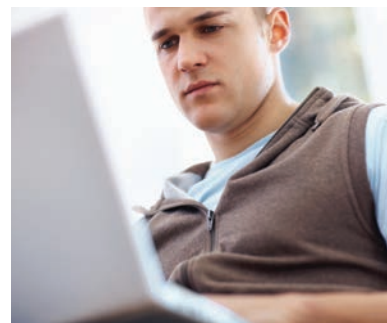
- ▶▶ Accommodating a gap in employment for military spouses with active licenses from another state
- ▶▶ Providing a temporary license to allow a military spouse with a current license in another state to secure employment while completing state requirements or while awaiting verification for an endorsement
- ▶▶ Expediting procedures for regulatory department or board approval to provide opportunity for spouses to obtain an endorsed or temporary license

Military spouses report that they frequently lose significant family income when moving from state to state. Most states provide eligibility to spouses who are "trailing" their service member on a PCS to a new state. This is most commonly done by providing an exemption to the rule that you cannot receive unemployment compensation if you voluntarily quit a job. States largely recognize that when a military family moves for duty, quitting is not "voluntary" and therefore allow the trailing military spouse to receive unemployment compensation. Claims should be made to the state in which employment was held, not the new duty station state. **Unemployment compensation** is important to military families who cannot afford to lose income during a military move.

Tax Breaks for Continuing Education

You may qualify to take a tax break for continuing education expenses, even if you aren't attending school full-time. The Lifetime Learning Credit is worth 20 percent of up to \$10,000 you pay for qualified tuition and fees for classes you take at a college, university, vocational school or other accredited postsecondary school (and some foreign colleges, too). The maximum credit can lower your tax liability

by up to \$2,000. To qualify, your modified adjusted gross income (MAGI) must be less than the limits set by the IRS, which can change from year to year. In addition, the amount of the credit is reduced as you approach the MAGI limit. For 2014, a married couple filing jointly would need a MAGI of less than \$107,000 to qualify for the full credit—and as their MAGI approached \$127,000, they might qualify for a partial credit. Similarly, a single filer must have a MAGI of less than \$53,000 to qualify for the full benefit and below \$63,000 for a gradually phased out credit. There is no limit to the number of years you can claim a Lifetime Learning Credit, but you can't claim it in the same year you claim the American Opportunity Credit for the same student (which is a larger tax break for students attending their first four years of college). For more information, see IRS Publication 970, Tax Benefits for Education, at www.irs.gov.



Military Families Learning Network

The purpose of the Military Families Learning Network (<http://blogs.extension.org/militaryfamilies/military-families/>) is to serve military family service professionals through engaged online communities which identify and make use of the highest quality, best practices, research-and evidence-based information, educational and curriculum materials, and programming activities and efforts. The primary concentration areas for the Military Families Learning Network are Personal Finance, Military Caregiving, Family Development, and Network Literacy.

Use Your Spouse's GI Bill Benefits

Servicemembers are now eligible to transfer all or part of their Post-9/11 GI Bill benefit to a spouse or their children. To qualify to make the transfer to a spouse, the servicemember must be on active duty or selected reserve and must have served for at least six years in the armed forces and agree to serve four more years. The Post-9/11 GI Bill can pay up to the full cost of in-state tuition and fees at a public college for up to 36 months, which would cover four years of tuition at a college with a nine-month academic year. The benefits are capped at \$20,235.02 in 2014 if you attend a private college. This amount is adjusted each August. A spouse is also eligible to receive the annual book stipend. Spouses may use the transferred benefits right away or at any time within 15 years after the servicemember has left the military.

For more information about the GI Bill, see www.gibill.va.gov. And for more information about transferring the benefits to spouses and children, see the Department of Defense's GI Bill transfer Web page at www.osd.mil/connect/EducationBenefits.



Credit Freeze

For protection against identity theft, place a “credit freeze” on your account. This will prevent lenders from accessing your credit report. Identity thieves will have a more difficult time taking out new credit in your name. You may need to pay a small fee to freeze and lift the freeze at each bureau. Contact each bureau separately to freeze your report.

- Equifax:
www.equifax.com
(800) 525-6285
- Experian:
www.experian.com
(888) 397-3742
- TransUnion:
www.transunion.com
(800) 680-7289

(See page 7 for more information on placing an active duty alert on your credit reports.)

Check Your Credit Report

A credit report is simply a record of your personal financial transactions that make up your credit history. Lenders look at your credit history to see how well you manage credit. Your report lists:

- » payments for any transaction you made on credit;
- » whether you made payments on time and for the amount due;
- » the type of credit you use (revolving, installment, mortgage);
- » requests for credit (hard inquiries);
- » any accounts sold to a collection agency; and
- » public records: tax liens, foreclosures, bankruptcies, wage garnishments, lawsuits and judgments.

Information that is **not** on your credit report:

Your race, sex, marital status, religion, age, national origin, criminal or driving record, political preference health status, or whether you receive public assistance.

It's easy—and free—to check your credit report. The three major credit reporting agencies—Equifax, Experian and TransUnion—set up a website where you can request your credit report from each agency for free, once every 12 months. You may wish to request your credit report from each of the agencies at different times within the year. Visit www.annualcreditreport.com or call (877) 322-8228 to request your free credit reports. To make the request by mail, send a letter with your name, Social Security number and date of birth to:

Annual Credit Report Request Service

P.O. Box 105283
Atlanta, GA 30348-5283



Credit Basics

Credit is essentially your ability to pay borrowed money back within a specified time. How you manage your money—how you spend and save it—usually dictates whether or not you can pay borrowed money back on time. Paying borrowed money back on time results in good credit; not doing so results in so-so credit.

Potential lenders examine your credit to decide if they will loan you money or approve you for a credit card. A potential employer may view it as a screening tool. Landlords and utility companies may view it to find out if you will pay their bills on time. And insurance companies view it to help predict if you will file a claim.

Scam Alert

While some financial institutions provide free credit reports as a courtesy to their customers, you should be skeptical of offers for free credit reports from businesses other than through *annualcreditreport.com*, Annual Credit Report Request Service or the three credit reporting agencies. At best, offers made by entities other than those just mentioned provide a free credit report—often with a free credit score—only if you pay for ongoing “credit monitoring” or some other service. At worst, they could be scams “phishing” for your personal information, especially your Social Security number.

When you get your reports, review them carefully. Is the information accurate? Are there signs of fraud or identity theft, such as accounts you didn’t open or charges you didn’t make? Is all of the information about you, or does it include another person’s information? If you see suspicious information, do these three things:

1. **Call one of the credit reporting agencies immediately.** Explain the situation and ask that a “fraud alert” be placed in your file. The credit agency you call is responsible for contacting the other two with this request.
2. **Report the fraud to the local police.** Credit card companies may need a copy of the police report to make refunds for wrongly charged items.
3. **Report the situation to the Federal Trade Commission (FTC) by calling its toll-free ID Theft Hotline at (877) ID-THEFT (1-877-438-4338).** The FTC’s ID theft website (www.ftc.gov/idtheft) also has a lot of helpful information about avoiding ID theft and reporting any problems.

Here’s how to contact the fraud divisions of the credit reporting agencies:

- ▶▶ **Equifax:** www.equifax.com, (888) 766-0008.
- ▶▶ **Experian:** www.experian.com, (888) 397-3742.
- ▶▶ **TransUnion:** www.transunion.com, (800) 680-7289.

If you see other problems on your report, such as an unpaid bill that you simply forgot about, take action to pay it. Then, ask the business to whom you owed the money to send a letter to the credit reporting agencies stating the matter has been resolved.

Know The Score: How Your Credit Score Impacts Your Financial Future

Your credit score, the three-digit number that follows you around for life, requires your supreme care. The amount you pay for credit and insurance premiums, and whether you are approved to live in an apartment or get your utilities turned on in a new residence, can be governed by your credit score. Thinking like a creditor and knowing what affects your score will help you improve your financial well-being.

Credit Score Basics

Your credit score moves up and down over time, depending on the shape of your personal finances. It reflects your credit risk to a lender—the likelihood you will pay back loaned money, on time. The riskier you appear, the higher the interest rate a lender will charge you for a loan or credit card.

The majority of lenders use a version of the credit score created by the Fair Isaac Corporation (called the FICO score) when assessing your creditworthiness. Your credit score is based on information in your credit report, and your FICO score can be slightly different depending on which credit report the lender used to generate the score—especially if one of your reports has errors or is missing some information. The credit bureaus also have their own proprietary scores, which some lenders use rather than FICO scores and can have slightly different criteria and a different scale.

Because each agency uses a different scoring system, your scores may differ from agency to agency.

FICO scores range from 300 – 850. Higher scores command lower interest rates; lower scores command higher rates. Because each lender uses different criteria to evaluate your credit, a score of, say, 690 could get you a good rate from one lender and a not-so-good one from another. And, a particular score does not equate to a particular interest

rate. Typically, though, a score of 720 or higher qualifies for the better, or lower, interest rates. Scores below 620 generally represent high-risk borrowers, who will qualify for higher interest rates.

Each individual has his or her own credit score, even if you are married. If you co-sign on a loan with your spouse, lenders will examine each of your scores.

The FINRA Investor Education Foundation has made FICO credit scores (as well as FICO's educational information and tools) available free of charge to active duty servicemembers and their spouses. Contact the Personal Financial Management Program office (usually located at the family or community service center) at your installation to access your score through this program.

A new law now enables people who have been denied credit or charged a higher interest rate for a loan because of their score to get a free copy of the score the lender used. The lender may not have used the FICO score, so the numbers may be on a different scale, but the lender must let you know where your score falls within that lender's scale and must disclose up to four factors that adversely affected your score, such as late credit-card payments.

What Difference Does a Score Make?

Suppose you want to borrow \$150,000 for a 30-year, fixed-rate mortgage. If your credit score is in the highest category, 760 – 850, a lender might charge you 3.7 percent interest for the loan, or a monthly payment of \$696. If your score is in a lower category, say 620 – 639, a lender might charge you 5.3 percent, or a \$838 monthly payment. The lower score costs you \$142 more per month and \$50,961 more over the life of the loan. (Scores and rates as of September 15, 2014, as reported on www.myfico.com.)

What could you do with an extra \$142 per month? You could invest it or pay off other debt. You've heard the saying, "It takes money to make money." Now you can see what that really means.

What Helps, What Hurts

So how is your score created and what affects it? Every month, lenders who have loaned you money or approved you for a credit card report five aspects of your financial behavior. The credit scoring agencies enter this information into their scoring systems to calculate your three-digit score.

Here is how your financial behavior affects your credit score:

1. **Your payment history (weighted 35 percent).** Whether you pay your bills on time affects your score the most. The best way to improve your score is to pay your bills on time, every month.
2. **How much you owe (30 percent).** If you max out on your credit limit, or come close to it, lenders figure you might likely default on a new loan. The second best way to improve your score is to use less than 30 percent of available credit on your credit card(s) and to pay down installment or mortgage loan balances (and the lower your balances, the better).
3. **Length of credit history (15 percent).** The longer you've had credit, lenders believe, the better. Be careful when closing unused credit card accounts—doing so can lower your score.
4. **New credit (10 percent).** Your credit score will weigh whether you have recently applied for or opened new credit accounts against the rest of your credit history. When you apply for credit, your score may drop a few points. If you need a loan, do your rate shopping within a focused period of time, such as 30 days, to avoid lowering your score.
5. **Other factors (10 percent).** Several minor factors also can influence your score. For example, having a mix of credit types on your credit report is normal for people with longer credit histories and can add slightly to their scores.

For more information about how your score is calculated, go to www.myfico.com and click on Learn About Scores.



Guard your credit history carefully. It can hurt you or help you when you want to buy a car or home or take out a loan in the future.

Plan for Future Moves and More

In the previous chapter, you were asked to think about your family and what expenses you might face before a move—and after. Now it's time to turn that knowledge into a moving plan and spending plan. Creating these plans will be good preparation for your family's future financial life, whether in the military or as civilians.



HIGHLIGHTS

- » Realtors think, “Location, location, location”; military families need to think, “Save, save, save”
- » How a spending plan can keep your money on track
- » How to set goals for today and tomorrow

Review Your Move

Now that you know many of the major expenses you may face when changing duty stations, you’re ready to create a moving fund—and then a long-term plan for your family’s financial future. You can do that by using the information in the next chapter.

Create a Moving Fund

When you are part of the military, you know that moves are inevitable. And you usually don’t know what location you’ll be sent to. Setting goals and making a plan for future moves will help you deal with this uncertainty. Having a moving fund will give you peace of mind when you need extra cash to make a move. Keep in mind that if you are just beginning your military career and money is tight, you may not be able to set aside all the money you would like—especially for an overseas move. Still, knowing what a move might cost will help inspire you to create a moving fund and keep adding to it.

The worksheet on page 40 will help you come up with a realistic dollar amount that you should start to set aside in your moving fund. Remember, you likely will have about two or three years between moves, so don’t get discouraged. Just take it one step at a time.

Now you have a moving fund goal, but how will you save that much money? One way is to save a set amount every month for the fund. You can’t be sure how many months you have until your next move, but military moves typically occur every two to three years. Assuming you might move again in two years, divide your moving fund total by 24 (number of months) to arrive at the amount you need to save each month. You will never be unhappy about having more money in your moving fund than you need.

Monthly Amount to Save *(Your moving fund total divided by*

\$ _____



Of course, in addition to saving for a move, you need money for daily life—and for unexpected events. That’s why you need a spending plan to help you keep on track.

Moving Fund Worksheet	
Possible Expenses	Cost
Off-base housing expenses. Try to set aside enough money to offset the cost of off-base housing at your new location for several months, including a security deposit. Use the amount you recorded on page 23.	\$
Replacing household items. Include some money to buy household items such as cleaning supplies or food that can't be shipped to a new destination. For more information about this possible expense, refer to page 24.	\$
Transferring a child to a new school. This may mean paying for a tutor to accommodate a change in curriculum or buying a new wardrobe for a different climate. For more information about these costs, refer to page 25.	\$
Vehicle expenses. Set aside enough money to cover any expected increase in car insurance, plus the cost to register your vehicle in a new state, if required. Later on, you can add money to cover expenses related to shipping a vehicle overseas if you choose to. For more information about these costs, refer to pages 25 – 27.	\$
Pet expenses. Think about what it may cost to move your pets to another location. Include any veterinary fees necessary to keep health records current, boarding and licensing fees, and the cost of new fencing, if required. For more information about these costs, refer to page 27.	\$
Move Out Expenses. Set aside money to clean and repair your home prior to moving to your new location.	\$
Other expenses. Set aside money for unexpected things. For example, while moving, you may eat out more than usual or need to buy clothing for a different climate. Set aside a few hundred dollars for this category.	\$
Your Moving Fund Total:	\$

Four Steps to an Even Better Plan

Of course, in addition to saving for a move, you need money for daily life—and for unexpected events. A car may break down or you may suddenly be deployed on an unaccompanied tour. These events, along with your goals, can affect income and expenses. That’s why you need a spending plan to help keep you on track. The worksheets on pages 40 – 42 will help you develop a spending plan. Make several copies so you can use these worksheets throughout the year. If you are married, involve your spouse in developing the spending plan. For a plan to work, both adults need to agree on priorities and expenses.

First, write down how much you expect to earn monthly on the Identify Income worksheet and how much you expect to spend monthly on the List Expenses and Savings

worksheet. Be sure to include money you and your spouse plan to contribute to retirement savings accounts, such as a Roth or traditional Individual Retirement Account (IRA) and the Thrift Savings Plan (TSP). At the end of the month, go back and write down how much you actually earned and spent. Don’t be discouraged the first month if your expected income or expenses aren’t accurate. Just stick with it. Soon, your spending plan will be more on target and easier to create. If you really want to get a handle on what you are spending, keep a notepad handy and write down every expense, every day, for at least a month. Put them in a notebook or on a spreadsheet so you can see where your money is going. This exercise will force you to think about where you are spending your money, so that for at least the period of time you do it you will fully understand where the money goes.

Spending Plan: Step One — Identify Income		
Sources	Expected Per Month	Actual Per Month
Base Military pay (after taxes)		
After-tax wages from a part-time job or a spouse’s income		
Tips or bonuses		
Basic allowance for housing (BAH), if applicable		
Basic allowance for subsistence (BAS)		
Uniform allowance		
Child support		
Leases: Apartment or rental income		
Other military allowance(s)		
Other (examples: investment or trust income)		
Total Monthly Income		

Spending Plan: Step Two—List Expenses and Savings		
Sources	Expected Per Month	Actual Per Month
Rent or house payment, if living off-base		
Utilities, if living off-base		
Telephone and/or cellphone		
Groceries (could be offset by WIC benefits)		
Transportation (<i>car payment, gasoline, bus fare, parking fees</i>)		
Tuition or other school-related fees		
Insurance (<i>car, homeowners', renters', life</i>)		
Internet access/cable		
Child care		
Child support		
Pets		
Snacks/meals eaten out		
Clothes		
Charitable donations		
Credit cards and other loans		
Personal (toiletries, etc.)		
Entertainment		
Savings for emergencies		
Savings for moving fund (<i>enter the monthly amount from the moving fund worksheet on page 40</i>)		
Savings for long-term goals		
Other		
Total Monthly Expenses		

Savings: An Expense That Pays Off

The amount of money you put toward savings is an expense. Sound odd? Well, it is money you spend, but for your future. And you remain in control of it. If you are serving in a designated combat zone, by depositing your savings into the military's Savings Deposit Program (SDP), you are guaranteed a 10 percent annual—a rate far higher than traditional savings account returns—for making this an expense. That rate of return adds up, even over short periods of time.

Deposit Amount	Interest Rate	Term	Earned Interest	Total
\$10,000	10%	10 months	\$857.91	\$10,857.91
\$10,000	4%	10 months	\$337.24	\$10,337.24
\$10,000	0%	10 months	\$0.00	\$10,000

Source: *Military Money*: "Savings Deposit Program: The Ten Percent Solution," www.militarymoney.com

Once you have made your SDP deposit, interest accrues at the 10 percent annual rate for as long as you are in a combat zone and for up to 90 days after you leave the combat zone. For more information about the program and details about how to sign up, see www.dfas.mil/militarymembers/payentitlements/sdp.html or contact your finance office.

Spending Plan: Step Three—Compare Income and Expenses

Write down your actual monthly income \$ _____

Write down your actual monthly expenses \$ _____

Subtract expenses from income and write the amount here \$ _____

Spending Plan: Step Four—Make Changes

Naturally, the goal is for your income to be greater than your expenses. If you have money left over, treat it wisely. This is the way to build financial security. If your expenses are greater than your income, you need to take steps to get back on track. This usually means cutting spending, increasing income, or both. Start by thinking of ways you can cut spending. The chart on page 45 offers some ideas.

My ideas for cutting spending:

Increasing income may be more difficult—particularly since so many military installations are located in areas with limited job opportunities for spouses or for taking a second job. What ideas do you have for bringing in more income?

My ideas for increasing income:



You could save about \$580 a year by buying your soft drinks by the case.

How else could you change your spending and save money?

Change Your Spending Decisions

Your spending plan lets you know whether you are living within your means. If your family struggles with money from month to month, try changing your spending decisions. This doesn't necessarily mean major sacrifices—it just means making different choices.

For example, let's say you buy two soft drinks a day from a vending machine. Each soft drink costs \$1.50, or \$3.00 a day. Instead, look at the difference it could make if you bought a case of soft drinks at the commissary and took it to work with you:

Item	Cost of Item	Cost Per Month	Cost Per Year
Soft drinks <i>(2 each day bought from a vending machine)</i>	\$1.50 each or \$3.00 a day	\$60	\$720
Soft drinks <i>(2 each day bought by the case from the commissary and taken to work)</i>	29¢ each or 58¢ a day (case cost \$7)	\$11.60	\$140

You could save about \$580 a year by buying your soft drinks by the case. How else could you change your spending and save money? The chart on the following page may help you develop a plan.

Item	What I Spend Now Each Month	The Change I Could Make	The Money I Could Save
Phone services (<i>example</i>) (over-the-limit cellphone charges, text messaging, ring tones, long distance)	\$55	Make fewer calls; send fewer text messages; use email more often	\$20
Cable TV			
Eating out			
Movies			
CDs/DVDs			
Transportation			
Snacks, convenience store purchases, coffee			
Clothes			
Utilities (heat, electricity, water)			
Toiletries			
Gifts for children or relatives			
Other			

Set Your Goals for Today and Tomorrow

Now that you have found ways to save money, think about your savings goals. Sure, you’re saving to pay bills and create a moving fund. But try to step back from the demands of everyday life and think about the future. What do you want to accomplish in life that costs money?

Different goals will have different time frames. Try to divide yours into one of these categories:

- ▶▶ **Short-term goals:** Things you want to accomplish within a year, such as getting started on a moving fund.
- ▶▶ **Medium-term goals:** Things you want to accomplish in one to three years, such as saving to buy a second car.
- ▶▶ **Long-term goals:** Things you want to accomplish in longer than three years, such as saving for a child’s education or your retirement.

Use the My Goals worksheet below to write down your goals. Make them specific so you can track your progress. Make them achievable, so you know you can do it. Finally, make them measurable so you will know when you have reached them. For example, instead of saying “start a moving fund,” say you want to save \$3,000 in a moving fund over the next 30 months. Also, rank each goal, making the first goal the one that is most important to you.

My Goals				
Goal	Achievement Date	Time Frame	Cost	Monthly Savings Needed



Safeguard Your Moving and Emergency Funds

With a little effort, you will be able to set aside money for your moving fund. But where should you keep that money? You probably already have a checking account that is convenient for everyday purchases and bill paying. However, it is not the best place to put money that you don't want to touch. Still, because moves or emergencies happen suddenly, you need to be able to get to your money quickly. Also, you want the money to be safe. An insured bank or credit union savings account, such as a regular savings or money market deposit account, may be the ideal solution. You can access your money in these accounts at any time, and they are insured by the Federal Deposit Insurance Corp. (FDIC) or the National Credit Union Administration (NCUA). Your deposit insurance limits at each bank or credit union are based on the type of account—you have up to \$250,000 in protection for your money held in individually owned accounts (accounts owned by one person), \$250,000 for your share of joint accounts, and \$250,000 for eligible deposits in retirement accounts (such as IRAs) at each bank or credit union. For more information, see www.fdic.gov/deposit and www.ncua.gov.

If you have more than three to six months of living expenses in your savings account, a three- to six-month (short-term) certificate of deposit (CD) may also be a good savings alternative if you're looking to earn a higher rate of interest. CDs are time deposits, meaning you must invest your money for a specified period of time or pay fees for early withdrawal. And CDs offered by insured financial institutions, such as a bank or credit union, are safe, meaning that the interest earned is guaranteed and your principal will never decrease in value—as long as you don't access your money before the maturity date. If you do, you may forgo interest and possibly lose some of your original investment.

By all means, avoid tying up your moving or emergency fund in long-term (such as five-year) CDs or other long-term investments. Liquidating long-term investments may force you to pay early withdrawal fees or take a loss on principal due to prevailing market values.

Taking the Next Step

By now, you know why a moving fund is important and how you can save for the near future. It's also important to avoid financial drains.

Money Market Deposit Accounts and Money Market Mutual Funds

Money market deposit accounts at an insured bank or credit union are insured—either by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

Money market mutual funds, offered by many types of financial institutions (including brokerage firms that may be affiliated with an FDIC-insured bank or NCUA-insured credit union) are not. Because these accounts have similar names, make sure you know the difference between a money market deposit account and a money market mutual fund.

To learn more about insured bank and credit union accounts, read “Look for These Signs of Safety” on page 58.

Read “Be a Smart Saver” on page 57 to learn how to protect money in your moving fund and keep it easily accessible.

Avoid the Money Drains — and Save

Often, when you approach the entrance to a military base, you pass through a gauntlet of pawnshops, rent-to-own stores and payday-loan/check-cashing businesses. It's hard to ignore that these businesses exist, but you certainly don't have to give them your money. In this chapter, let's look at common money drains and suggest ways to avoid them. In case you fall into a money trap, the checklist will offer ways to help you climb out of debt—and build your savings.



HIGHLIGHTS

- » Why buying “used” is better than buying on credit
- » How a payday loan can mean paying a 450 percent interest rate
- » How to dig out of debt and start saving

Credit Cards

Credit cards are handy—and seductive. When you’re moving, it can be convenient to use the card to pay for expenses. However, when the bill comes, you could wind up paying 18 percent or more in interest if you can’t pay the full amount. A credit card can have a place in your life—if you handle it carefully. For example, you often need a credit card to rent a car or make an airline reservation. But caution is the key. To manage a credit card wisely, consider the following guidelines:

- » Talk about credit with your spouse and agree on how you both will manage credit card spending.
- » Have only one major credit card. Multiple cards mean numerous chances to build debt. Also, it’s less expensive in the long run to pay a larger amount on one card than to make minimum payments on many.
- » If you have store credit cards, stop using them—they typically charge the highest interest rates (up to 22 percent or more). If you are asked if you want to open a store card at checkout to receive a discount on your purchase, decline the offer unless these two conditions exist: (1) you know you can immediately pay off the entire purchase amount, and (2) you haven’t requested credit in six months.
- » Shop for a card with no annual fee and a lower interest rate. The Internet is a great resource. Try Bankrate’s site at www.bankrate.com and click Credit Cards. If you belong to a credit union, find out what types of credit cards it offers. Credit unions often charge lower rates on credit cards. You may be able to save money in interest by transferring your balance to another card that charges a lower interest rate. But first find out whether you’ll have to pay any fees to make the transfer, which could cost you more than the money you’d save in interest.
- » When paying your credit card bill by mail, send your payment several days before the due date (at least a week). Credit card rules now require that your payments must be due on the same date every month, and your payment will count as long as it’s received by 5 p.m. on that day. But it’s still important to take extra care to mail your credit card payments early enough so they can be posted to your account on time. When making the payment over the Internet or by phone, find out when the payment will post to your account. Some companies wait a day or two before posting your payment, so you need to make the payment a day or two before the due date. Late payments are expensive (\$25, for example) and hurt your credit history.
- » To avoid interest charges, pay off the entire balance each month by the payment due date.



A credit card can have a place in your life—if you handle it carefully.



Check-Cashing Stores

Off-base check-cashing stores will cash checks for a fee of around 4 percent to 5 percent. That means you'll pay a fee of \$4 to \$5 for every \$100 you cash. That doesn't sound like much, but it is a spending leak—draining away money that you can put toward your financial goals.

- ▶ Keep your card balances low, even if you pay them off in full every month, which ensures that you don't fall too deeply into debt and can help your credit score. Keeping your balance to less than 25 percent of your credit limit can help improve your score, and the lower the balance, the better.
- ▶ Be careful with cards that offer low "introductory" interest rates. This rate usually is only for a short time—often around six months. Find out what will happen to the rate after the introductory period ends.
- ▶ To stop most credit card offers from coming in the mail (a process known as "opting out"), call (888) 567-8688 or visit www.optoutprescreen.com. The toll-free number and website are operated by the major credit reporting agencies.

Cash Advance Checks

Tip: Shred the checks that credit card companies send with your bill or in separate mailings. Although it can be tempting to use the check for something you want, it will be costly. The amount of the check is considered a "cash advance." Interest rates for cash advances are usually high and the credit card company will begin charging interest immediately.

Save Big Bucks on Credit Card Bills

If you pay more than the minimum payment on your credit card bills, you can save thousands of dollars in interest. For example, assume you owe \$1,000 on a credit card that charges 18 percent interest and requires you to make a minimum payment of 2 percent of the balance each month.

If you make only the minimum payment, it will take you more than 12 years (151 months) to pay off the debt and you will have shelled out about \$1,397 in interest, in addition to the \$1,000 you originally charged—making the total cost to you \$2,397. But take a look at how paying more than the minimum payment will save you big bucks:

How Much You'll Save By Boosting Monthly Payments		
Monthly payment	Total Interest	Time to Pay Off
\$50	\$198	24 months
\$75	\$124	15 months
\$100	\$92	11 months
\$150	\$62	8 months

New Car Loans

You may need a car, but a new car can be an unnecessary luxury, particularly for a young family that is just getting by financially. The next time you think about buying a vehicle, think “used” instead of “new” and you could save a bundle. You’ll also save money on sales tax, interest, insurance and registration fees.

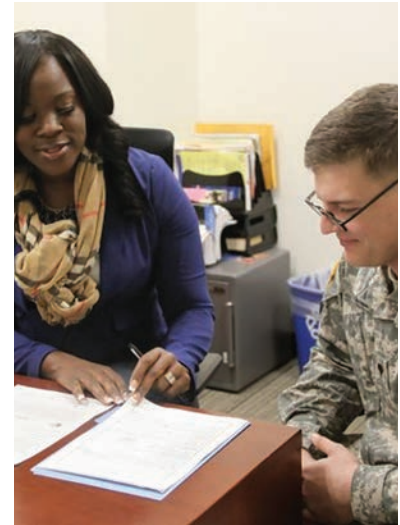
Let’s say you want to buy a family car that costs around \$25,000 new. You’ve saved \$2,500 as the down payment, but like most people, you don’t have enough money sitting around to buy the car with cash, so you’ll need to finance the rest of the cost. While walking around the car lot, you see a similar car that is three years old and costs \$14,000. What could you save if you buy the used car? Consider the table on page 52.

This table is only an example. Your state sales tax and loan interest rate may be different. However, be aware that low interest rates advertised by some car dealers usually are offered only to people with near-perfect credit. The rate they offer you may be much higher. Check with your bank or credit union to see if they have a better rate.

When thinking about how much vehicle you can afford, don’t forget about other expenses, such as gasoline (check the car’s gas mileage), car insurance, maintenance costs and registration fees. Insurance often is cheaper for a used vehicle; check with your insurance agent. Before writing a check for your new “used” vehicle, ask a reputable mechanic to inspect the vehicle and read these helpful, free publications from the Federal Citizen Information Center:

- ▶▶ Buying a Used Car
- ▶▶ How to Get a Great Deal on a New Car

These publications, available online at www.pueblo.gsa.gov or by calling (888) 8-PUEBLO (1-888-878-3256), cover such topics as your rights as a buyer, what to look for on the test drive, warning signs of hidden damage and how to verify the vehicle’s history.



Comparing Car Costs						
Vehicle	Sticker Cost	Loan Amount After Down Payment	5% Average State Sales Tax	Interest Rate on 4-Year Loan	Monthly Loan Payment	Total Cost (Including Sales Tax and Interest)
New car	\$25,000	\$22,500 (\$25,000 – \$2,500)	\$1,250	5%	\$546.95	\$28,753
Used car	\$14,000	\$11,500 (\$14,000 – \$2,500)	\$700	7%	\$292.14	\$16,553

Protect Yourself From Identity Theft

- ▶▶ Never give out personal information on the phone, Internet or through the mail unless you initiate the transaction or know who you're dealing with. ID thieves may try to collect personal information by sending emails that appear to be from legitimate lenders or banks. Always call the customer-service number for your bank or card company to verify any request for personal information, instead of just clicking on an e-mail link.
- ▶▶ Protect your mail. Get incoming mail in a locked mailbox or slot. Take outgoing mail to a postal mailbox or the post office. If your mail suddenly stops, go to the post office. Thieves sometimes submit change of address forms to divert mail to their address.
- ▶▶ Check your bank and credit card statements promptly. If you see any problems, report them immediately.
- ▶▶ Shred all unnecessary papers containing Social Security numbers, account numbers and birth dates so "dumpster divers" can't retrieve them from your trash.
- ▶▶ Watch your credit reports. Order free copies once a year from www.annualcreditreport.com, as discussed in "Check Your Credit Report" on page 33.
- ▶▶ Tell credit companies you do not want to receive pre-approved credit offers by calling the Credit Reporting Industry Pre-Screening Opt-Out Number at (888) 567-8688 or visit www.optoutprescreen.com.

The Federal Trade Commission (FTC) website offers more information about preventing identity theft and what to do if you think your identity has been stolen. Visit www.ftc.gov/idtheft. The FTC toll-free ID Theft Hotline is (877) ID-THEFT (1-877-438-4338).

If you are about to be deployed, you can place an "active duty alert" or a "credit freeze" on your credit reports to protect your identity while you are away. See pages 7 and 33.

Rent-to-Own Stores

When you move, you may find that it's too costly to transport all your appliances. For example, if a TV already is on its last legs and you're at the weight limit, you may choose to give it to a charity rather than pay to have it shipped. After you move, you may be tempted to rent a new TV from a rent-to-own store. The weekly rate seems so affordable and, in time, you will own the TV. But renting to own is actually very expensive.

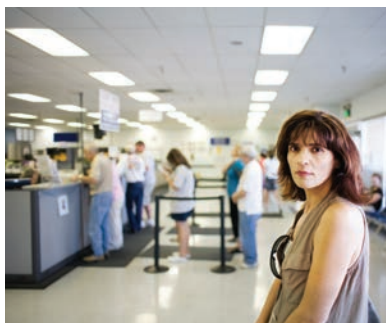
Let's say you see a TV you want at an electronics store and it costs \$400. You don't have that much cash and you don't want to put it on a credit card. Instead, you agree to a rent-to-own plan for the same TV. For about \$15 a week, you'll have the TV you want, and in 65 weeks, you'll own it. Here's what your \$400 TV could cost you:

Weekly rental	$\$15 \times 65 \text{ weeks}$	=	\$975.00
5% sales tax	$75¢ \times 65 \text{ weeks}$	=	\$48.75
Possible delivery fee	\$30 (once)	=	\$30.00
Total cost of rent-to-own TV			\$1,053.75

Your \$400 TV could cost your family \$1,053.75. A better option would be to buy a used TV or save until you have the \$400.



Never give out personal information on the phone, Internet or through the mail unless you initiate the transaction or know who you're dealing with.



Protection From Predatory Lenders

Oftentimes, unexpected financial emergencies, such as an expensive car or home repair, force servicemembers to seek sources of quickly available, short-term loans. To protect servicemembers from predatory lenders—companies that sell high-cost, short-term loans and other expensive loan products—Congress passed the Military Lending Act (MLA) in the fall of 2006, and the Department of Defense implemented it in October 2007. The MLA sets an interest rate and fee cap of 36 percent of the total loan amount—still an outrageous cost for credit—on these three types of loans:

- ▶▶ payday loans;
- ▶▶ automobile title loans; and
- ▶▶ tax refund anticipation loans (high-cost, 14-day advances on tax refunds).

To put this 36 percent rate and fee cap into perspective, as of September 2014, the average variable rate on credit cards is 15.77 percent, the average rate for a four-year new car loan is 4.16 percent and the average rate for a \$30,000 home-equity loan is 6 percent. While there may be other fees associated with those loan products, the point is this: a loan rate of 36 percent is very expensive. Before you accept any loan offer, be sure you inquire about its fees, interest rate and any other costs you can be charged. This information is usually listed in the flyer—in the small print—that accompanies a loan offer. Avoid loans that charge high up-front fees, which is one way that predatory lenders have been trying to get around the law.

Important Note: All lenders of these types of loans must disclose, orally and in writing, your rights before you commit to a credit transaction. This law is an important step in helping servicemembers take note of financial products that sound good at first but can cause financial chaos and stress in the end. To help you get a better understanding of how expensive and potentially damaging these loans are, check with financial educators at your installation support centers. Additionally, make a focused effort to maintain your emergency fund so you can avoid predatory lenders altogether.

Also, each branch of the military provides its servicemembers with emergency relief through an official military nonprofit organization whose mission is to help relieve financial distress for servicemembers in need. Relief services include interest-free loans or grants, and help with medical and dental bills, rent and child-care expenses.



SaveAndInvest.org

Financial preparedness is a key component of military readiness. *SaveAndInvest.org*, a resource of the FINRA Investor Education Foundation, provides financial education tools to help you manage your money with confidence.

For information on how to become a savvy money manager, saver, and investor—and how to protect your money and identity—visit *www.SaveAndInvest.org*, a site created for military servicemembers and their families.

To find out how you become eligible for emergency relief and what relief services your branch of service provides, visit:

- ▶▶ Navy-Marine Corps Relief Society: www.nmcrrs.org;
- ▶▶ Air Force Aid Society: www.afas.org;
- ▶▶ Army Emergency Relief: www.aerhq.org; or
- ▶▶ Coast Guard Mutual Assistance: www.cgmahq.org.

Digging Out of Debt

It's easy to fall into debt—especially if you are in the junior ranks in the military and are supporting a growing family. What can you do if you have too much debt? First, don't feel overwhelmed. Debt can be managed. Start by taking at least some of the following steps:

- ▶▶ If you think you can't make a payment, call the business you owe money to and ask for more time. If you make the call before you miss a payment, the business often will be more willing to work with you.
- ▶▶ Talk with the financial counseling personnel on your base or post. They can offer suggestions for ways to get out of debt and let you know about helpful programs specifically for military personnel and their families.
- ▶▶ Consider working with a nonprofit debt counseling service. Your Family Services or Support Center can help you locate one in your area. You can also find a credit counselor in your area through the National Foundation for Credit Counseling (visit www.nfcc.org or call (800) 388-2227) or the Association of Independent Consumer Credit Counseling Agencies (visit www.aiccca.org or call (866) 703-8787). A good credit counselor can provide budgeting advice, often for \$30 or less, or can help you pay your bills through a debt-management program (often for about \$25 per month). Beware of programs that ask for steep, up-front fees. Additionally, your Personal Financial Manager (PFM) may be able to offer guidance on getting out of debt.
- ▶▶ Organize your debts by interest rate charged—from highest to lowest. Make at least the minimum payment due on all debts, which can help avoid a hit to your credit score, and put any extra money toward the debt with the highest interest rate. When that debt is paid off, apply the extra money to the debt with the next highest rate. When you start paying less in interest every month, you'll have more money to devote to paying down the rest of your debts. Also use some of the extra money to build up your emergency funds, so unexpected expenses don't land you in debt in the future.
- ▶▶ Limit yourself to one major credit card and only use it for emergencies.



Some military families think bankruptcy is the only option when their debts become too high to manage. However, servicemembers have several other, more positive options. If you are considering bankruptcy, talk with a financial counselor at your Family Services or Support Centers first. Bankruptcy is a last resort—and may not provide the debt relief you seek.

Filing for bankruptcy under Chapter 13, in which you renegotiate a debt-payment plan, stays on your credit report for seven years. Filing for bankruptcy under Chapter 7, in which all of your debts get erased, stays on your credit report for 10 years. Any form of bankruptcy listed on your credit report will lower your credit score significantly and increase your cost to get new credit for a car or home—if you can qualify. It's better to try to work out a repayment plan with creditors.

A loan calculator is available that will show you how much you are paying on a loan, divided into principal and interest, over the life of the loan. To use the calculator, visit www.SaveAndInvest.org and click Financial Tools, then Loan Calculator.

When you have taken steps to dig out of debt, you will start to have more money at the end of each pay period. Rather than spend that money, pay it to yourself—and become a smart saver.

Direct Deposit

The military requires all servicemembers to receive their pay through direct deposit. With direct deposit, your paycheck is automatically deposited into your bank or credit union account. Your pay becomes accessible for withdrawal more quickly than payment by check because you don't have to make a trip to the bank to make a deposit or wait for your bank to clear your paycheck.

Direct deposit may help you avoid the need to use check-cashing stores altogether because your pay is readily accessible through an ATM withdrawal, writing or cashing your own check, or a visit to the bank. When selecting a bank or credit union, assess whether you'll need one with a national or international presence. You can compare bank and credit union services and fees at www.bankrate.com.

Using direct deposit will lower your cost of managing money—fees for bank services are usually much lower than fees charged by check-cashing stores. If you haven't had time to open a bank account and need to cash a small personal check, see if your base has a military exchange that will cash your check for free.



Be a Smart Saver

Saving is the foundation of your personal financial plan. Money you save can be used to pay for unexpected expenses or a planned purchase in the near future. It's money to keep safe—and readily available for moves, emergencies and goals. Three of the most common savings choices are bank savings accounts, credit union savings accounts and money market accounts. The key advantages of these include the following:

- ▶▶ low minimum deposits;
- ▶▶ they are considered among the safest places to store money;
- ▶▶ they can earn a guaranteed rate of interest;
- ▶▶ they can be government insured; and
- ▶▶ it is usually easy to withdraw money when you need it.

Bankrate.com

Visit www.bankrate.com to compare interest rate offers on savings and money market accounts from a variety of banks and credit unions. Some online-only banks can offer better rates because of their lower overhead costs.

MilitarySaves.org

You don't have to be rich to build wealth, you just have to save. *MilitarySaves.org* shows you how to create your arsenal of savings for:

- ▶▶ buying a car;
- ▶▶ "finding" money to add to your emergency fund;
- ▶▶ financing education costs and a home, even on a tight budget;
- ▶▶ participating in work-sponsored savings plans; and
- ▶▶ getting out of debt.

For more information, visit www.militarysaves.org.

Savings Deposit Program

If you've been deployed to a designated combat zone, hazardous duty, or contingency operations area, you qualify for the Savings Deposit Program (SDP), which grows at a rate of 10 percent per year while in a combat zone and for up to 90 days after you leave. One great way to use this extra money is to help build an emergency fund after you return. Maintaining an emergency fund reduces your need to use credit for unexpected expenses.



Look for These Signs of Safety

If protecting your money is your number one goal, look for:

- Federal Deposit Insurance Corporation (FDIC) insured banks; and
- National Credit Union Administration (NCUA) insured credit unions.

If the bank or credit union goes out of business, the FDIC or NCUA will give back the money you had on deposit, generally up to \$250,000 for your money held in individually owned accounts (accounts owned by one person) at each bank or credit union, \$250,000 for your share of joint accounts there, and \$250,000 for eligible deposits in retirement accounts (such as IRAs) at each bank or credit union. The FDIC and NCUA do not insure the money you invest in stocks, bonds, mutual funds, life insurance policies, annuities, treasury securities or municipal bonds, even if you purchased these products from an insured institution.

The Magic of Compounding Can Make Small Savers Into Millionaires

Young military families seldom have a lot of extra money, but here's good news: You don't have to save a lot today in order to have a lot in the future — thanks to compound interest. Compounding pays interest on both the amount you save and the interest you earn. The longer your money earns compound interest, the more remarkable the results, so the key is to start early.

To find out the powerful effect of compounded interest, calculate how your savings will grow over time with *SaveAndInvest.org*'s Savings Calculator. Visit *SaveAndInvest.org*, click Financial Tools, then Calculators.

Enter the following:

- ▶▶ The amount of your opening deposit.
- ▶▶ Your estimated annual yield, which is the rate your money will earn over a year, compounded annually.
- ▶▶ Current annual inflation rate; visit www.InflationData.com.
- ▶▶ The amount and number of deposits you could make over a period of time.

The calculator will show you the amount of money you could have at the end of that time, given the estimated annual yield and inflation rate.

If you are new to saving and investing, don't hesitate to ask for help with this calculator by contacting your Personal Financial Manager, a financial educator or a counselor at your installation support center.

Get to Your Money When You Need It Without Paying Penalties

Bank and credit union savings accounts make it easy to take out money when you need it, so these can be good places to put money you might need in a hurry. Money market accounts at banks may limit the number of times you can take out money. Taking out money from these types of accounts may trigger fees for falling below a minimum balance, so check on required minimums before making withdrawals. You may want to change account types to avoid these charges.

Other types of accounts charge penalties or fees for making withdrawals, or take days or weeks to get your money to you. Retirement savings accounts, such as IRAs and the Thrift Savings Plan (TSP), may offer valuable tax benefits, but you may have to pay a 10 percent early-withdrawal penalty to withdraw money before age 59 ½ (you can withdraw your contributions into a Roth IRA, but not a traditional IRA, at any age).

Before putting money into any type of account ask:

- ▶▶ Are there limits on the number of withdrawals I can make? How many can I make and over what time period?
- ▶▶ Will there be costs to make a withdrawal? What are they and how can they be avoided?
- ▶▶ How long it will take to get money from the account?
- ▶▶ Will I have to pay taxes and/or penalties on money I withdraw from the account?



Tips for Smart Investing

You don't need a lot of time—or even a lot of money—to become a smart, successful investor. Investing simply means not spending money now, so you can grow it for things you need and want in the future. This chapter contains tips and suggestions for ways you can invest for your goals today—and tomorrow.



HIGHLIGHTS

- » What to look for and how to invest in stocks, bonds and mutual funds
- » Why starting early is key to college investing
- » How to avoid investment scams
- » Take advantage of TSP—take it with you when you retire or leave military service

Investing for Your Future

This chapter goes beyond savings to investing—the next step in your personal financial plan. Successful investing enables you to pay for longer-term goals such as the down payment on a home or a child’s college education. Investing can grow your money even more than traditional saving options, but it is riskier.

Investing in Stocks, Bonds and Mutual Funds

Although there are many investment choices, the “big three” are stocks, bonds and mutual funds. Mutual funds usually are good places to begin for people who are just starting an investment plan. The following summary of stocks, bonds and mutual funds can help you decide which investment is best for you.

Investing in Stocks

When you buy a stock, you are buying a small piece (a share) of the company that issued the stock. You become a part owner of the company, along with all the other individuals and institutions that have bought stock in the company. As a part owner, you have equity in the company, which is why you may hear stocks referred to as equities. You can invest in companies in the United States and around the world. There are thousands of individual stocks, and they can be broadly classified as growth, income or value stocks. You may also hear them described based on the size of the companies they represent—large-cap, mid-cap or small-cap stocks.

Investing in Bonds

When you buy a bond, you lend your money for a specific length of time to the government agency or company that issues the bond. In return, the agency or company promises to pay you interest on your money over the time period, until the bond matures. Many bonds are assigned a credit rating by a credit agency, indicating the likelihood that the bond issuer will in fact pay you as promised. See page 65 for examples of bond ratings.

You may hear bonds referred to as “fixed-income” investments, because they pay interest income over the life of the bond. The amount you loaned the bond issuer is returned to you at maturity. There are several classes of bonds to consider as an investor.



Although there are many investment choices, the “big three” are stocks, bonds and mutual funds.

Stocks			
Types	General Characteristics	Reasons You May Want to Invest	Disadvantages
Growth	Companies whose earnings or revenues are expected to grow faster than those of other companies.	As company earnings and revenues increase, the price of the company's stock and the value of your investment usually increase.	When growth stops, or the market stalls, stock prices can go down substantially and so can the value of your investment.
Income	Companies that normally pay high or consistent dividends to investors.	<ul style="list-style-type: none"> • Your money can potentially grow in two ways: through dividend income or increases in the stock price • Dividends can be cut or stopped altogether 	<p>Watch out for stocks that pay extra high dividends because that may be a sign of problems in the company.</p> <p>The stock price can go down as well as up.</p>
Value	Companies whose stock is selling at a low price or is considered undervalued compared to competitors. The low price of these stocks is usually because of some perceived bad news, such as a poor earnings announcement, legal problems or the industry being out of favor with investors. Value stock buyers, however, think these companies are sound and their stock price will recover.	When—and if—value stocks report better than expected performance, their stock prices can increase.	If performance does not improve, the stock price could stay the same or drop.

Bonds			
Types	General Characteristics	Reasons You May Want to Invest	Disadvantages
I (“Inflation”) Savings Bonds	<ul style="list-style-type: none"> • Issued and backed by the U.S. government • Designed to protect you from inflation • Pays an interest rate that has two components—a fixed rate that is set at the time you purchase the bond and which stays the same over the life of the bond, plus an inflation rate that adjusts every six months 	<ul style="list-style-type: none"> • Available in amounts of \$25 and up and can be sold after one year • Easy to buy at www.treasurydirect.gov • Interest is not taxable on your state tax return • Earnings may be free of federal income tax if used for qualified education expenses • Can be sold before maturity if necessary 	<ul style="list-style-type: none"> • Bonds sold within the first five years will lose the previous three months’ interest
Series EE Savings Bonds	<ul style="list-style-type: none"> • Issued and backed by the U.S. government • Pays a fixed rate of interest over the life of the bond 	<ul style="list-style-type: none"> • Available in amounts of \$25 and up, and can be sold after one year • Easy to buy at www.treasurydirect.gov • Interest is not taxable on your state tax return • Earnings may be free of federal income tax if used for qualified education expenses • Can be sold before maturity if necessary 	<ul style="list-style-type: none"> • Bonds sold within the first five years will lose the previous three months’ interest

Bonds (con't)			
Types	General Characteristics	Reasons You May Want to Invest	Disadvantages
U.S. Treasury Bills, Notes and Bonds	<ul style="list-style-type: none"> • Issued and backed by the U.S. government • Instead of paying interest, Treasury bills are purchased at a “discount” price and then redeemed at maturity for the face value on the bond • Treasury notes and bonds pay interest twice a year 	<ul style="list-style-type: none"> • Minimum purchase amount is \$100; sold in increments of \$100 with maturities ranging from a few days to 30 years • Available from www.treasurydirect.gov • Interest is not taxable on your state tax return • Can be sold before maturity if necessary 	<ul style="list-style-type: none"> • If you have to sell a bond before the maturity date, you may not get all your money back if interest rates have gone up since you bought it
Municipal Bonds	<ul style="list-style-type: none"> • Issued by states, cities, counties and other municipal agencies to raise money to build roads, schools and other public project • Rated for level of risk by bond rating agencies, the two major ones being Moody's and Standard & Poor's (see table on page 65) 	<ul style="list-style-type: none"> • Can be bought in increments of \$5,000 • Maturities can range from a few months to 30 or even 40 years • Most pay interest twice a year • Interest is free of federal income taxes; can be free of state taxes, too, if the bonds are issued in the service-member's domicile state • Pay rates that are lower than taxable bonds, but, depending on your tax bracket, can be a better rate. (“taxable equivalent yield”) • Can be sold before maturity, if necessary 	<ul style="list-style-type: none"> • Have more types of risk than Treasury bonds. For example, the issuer of a bond may not be able to repay your money at maturity. Plus, you may not be able to sell your bond quickly if you need money. Finally, the bond could be “called” before the maturity date. You will get back your principal, but you may not be able to buy another bond with as good a rate

Bonds (con't)			
Types	General Characteristics	Reasons You May Want to Invest	Disadvantages
Corporate Bonds	<ul style="list-style-type: none"> Issued by corporations to raise money for capital expenditures, operations and acquisitions Rated for level of risk by bond rating agencies 	<ul style="list-style-type: none"> Can be bought in denominations of \$1,000, though there often can be a minimum \$5,000 required Generally pay higher interest than Treasury bonds with the same maturity Most pay interest twice a year Can be sold before maturity if necessary 	<ul style="list-style-type: none"> Have more types of risk than Treasury bonds. For example, the company issuing a bond may not be able to repay your money at maturity. Plus, you may not be able to sell your bond quickly if you need money. Finally, the bond could be “called” before the maturity date. You will get back all of your principal, but you may not be able to buy another bond with as good a rate If you have to sell a bond before the maturity date, you may not get all your money back if interest rates have gone up since you bought it

Bond Ratings			
		Moody's	Standard & Poor's
Investment Grade	Highest Quality	Aaa	AAA
	High Quality	Aa	AA
	Upper Medium	A-1, A	A
Non-Investment Grade	Medium	Baa-1, Baa	BBB
	Speculative	Ba	BB
	Highly Speculative	B, Caa, Ca, C	B, CCC, CC
	Default	No rating	D

Source: FINRA Investor Information; www.finra.org



Hold Onto Bonds

Tip: It is often a good idea to hold bonds until they mature. That's because the value of bonds is affected by interest rates. If interest rates are higher when you want to sell a bond than when you bought it, you likely will have to sell your bond for less than you paid for it. If interest rates are lower, however, you may be able to sell your bond for more than you paid.

To find out how much interest will accumulate, or accrue, on *your* bond investment, use the Accrued Interest Calculator at www.SaveAndInvest.org. If you are new to saving and investing, don't hesitate to ask for help with this calculator by contacting your Personal Financial Manager, a financial educator or a counselor available at your installation support center.

Investing in Mutual Funds

When you buy a mutual fund, you pool your money with other people's money—and become part owner of a “portfolio” of stocks, bonds or other assets held by the fund. Minimum initial purchases are usually around \$2,000, and minimum additional investments are generally around \$250. There are funds that will waive the initial deposit and allow you to invest as little as \$50 a month. You can buy or sell fund shares any time, although sometimes you may have to pay redemption fees or sales charges. Mutual funds can own anywhere from a few dozen to hundreds or thousands of different assets. These funds provide an easy and inexpensive way to diversify investments so you don't have “all your eggs in one basket.” Mutual funds generally give you the benefit of professional management of your investment.

The downside of mutual funds is the same as for stocks and bonds—share prices change daily and you can lose money. However, the built-in diversification can help to reduce the severity of losses.

Understanding Fees

All mutual funds charge fees. Because a small percentage difference among fees can add up to a big dollar difference in your returns over time, it's important to be aware of all fees associated with any fund in which you invest. Some fees are charged on an ongoing basis. Others are charged at specific times, based on actions you take. Fees are described in detail in each fund's prospectus, which you should be sure to read before investing in any fund.

Here are types of fees that may be charged on an ongoing basis:

- ▶ **Management fees.** These fees pay the fund's portfolio manager.
- ▶ **12b-1 fees.** These fees are taken out of the fund's assets to pay for the cost of marketing and selling the fund, some shareholder services and sometimes employee bonuses.
- ▶ **Other expenses.** This miscellaneous category includes the costs of providing services to shareholders outside of the expenses covered by portfolio management or 12b-1 fees. You also pay transaction fees for the buying and selling trades the portfolio manager makes, though those fee amounts are not reported separately as the other two fees are.

These fees, with the exception of transaction fees, make up the expense ratio, or the percentage of the fund's portfolio of assets used to run the fund. Transaction fees, on the other hand, are subtracted before the fund's return is calculated. So, the more the fund buys and sells shares of stock in its portfolio (reported as “turnover rate”), the higher the fund's transaction costs and your taxable earnings may be.

Mutual Funds	
Types	General Characteristics
Equity (Stock) Funds	<p>Invest primarily in individual stocks.</p> <p>Seek to increase, or grow, the value of your investment.</p> <p>They have the same subcategories as individual stocks: growth, income, value, emerging markets, international.</p>
Fixed-Income (Bond) Funds	<p>Invest primarily in individual bonds.</p> <p>Seek to protect the money you invest and generate income.</p> <p>Generally considered a more conservative choice than stock funds.</p> <p>Bond prices go down when interest rates go up and vice versa.</p>
Balanced Funds	<p>Invest in both stocks and bonds. For example, one fund may have 60 percent of assets invested in stocks and 40 percent in bonds.</p> <p>Seek to provide the capital appreciation (growth) potential of stocks and the income generation of bonds.</p>
Index Funds	<p>Invest in the same assets as those held in a common market index, or benchmark, such as the Standard & Poor's 500.</p> <p>Seek to match the performance of the index.</p> <p>Generally lower costs than "actively managed" funds.</p>
Lifecycle Funds	<p>Invest in premixed percentages of stocks, bonds and other assets so investors can match a fund to their age and risk tolerance. For example, a fund for younger, more aggressive investors may invest 80 percent in stocks and 20 percent in bonds. A more conservative fund might be 50 percent stocks, 50 percent bonds.</p> <p>Seek to save investors time and effort in selecting and rebalancing funds.</p> <p>Funds that invest mainly in index funds tend to have lower management expenses than "actively managed" funds.</p>



Fees Matter

Compare the loads, or sales commissions, and other fees while selecting a mutual fund investment. Use FINRA's Mutual Fund Expense Analyzer at www.SaveAndInvest.org (click Financial Tools, then Analyzers).

If you are new to saving and investing, don't hesitate to ask for help with these calculators by contacting your Personal Financial Manager, a financial educator or a counselor at your installation support center.

The following fees are based on actions you may take, so you may or may not have to pay them:

- ▶▶ **Account fees:** Funds may charge you a separate fee to maintain your account, especially if your investment falls below a certain dollar amount.
- ▶▶ **Redemption fees:** To discourage investors from short-term buying and selling of mutual funds, as an investor might do with stocks, funds often charge a redemption fee to investors who sell shares shortly after buying them. Redemption fees may be in place for anywhere from a few days after purchasing the fund to over a year after purchasing the fund. So it's important to understand if and how your fund assesses redemption fees before you buy it, especially if you think you might need to sell your shares shortly after purchasing them.
- ▶▶ **Exchange fees:** Some funds also charge exchange fees for moving your money from one fund to another fund offered by the same company.
- ▶▶ **Purchase fees or "loads":** "Load funds" charge a sales commission; "no-load funds" don't. When you pay a sales commission when you *buy*, that's called a front-end load. A commission paid when you *sell* is known as a back-end load. The advantage of a load fund is that there is usually an investment professional available to explain the fund and advise you when to buy or sell shares. With most no-load funds, you are fully responsible for understanding the investment.
- ▶▶ **Brokerage commissions:** In addition to loads, you may have to pay a separate brokerage commission if you buy a fund through a brokerage account instead of directly from the fund company.

Active Versus Passive Management

When a fund is actively managed, it employs a professional portfolio manager or team of managers to decide which investments to buy for its portfolio. One reason you might choose a specific fund is to benefit from a portfolio manager's expertise in a particular area, such as real estate or growth stocks. A successful fund manager has the experience, the knowledge, and the time to seek and track investments, whereas you may not.

The goal of an active fund manager is to beat the market as measured by an appropriate benchmark. He or she tries to get better returns by choosing investments that the fund manager believes will outperform the benchmark. The selection of the benchmark is based on the fund's stated investment strategy and the types of investments it makes. For example, the benchmark for a stock fund may be the S&P 500 Index.

In any given year, most actively managed funds do not beat the market. In fact, studies show that few actively managed funds provide stronger-than-benchmark returns over long periods of time, including those with impressive short-term performance records. That's why many individuals invest in funds that don't try to beat the market at all. These are passively managed funds, otherwise known as index funds. Index funds seek to replicate the performance of their benchmarks instead of outperforming them. For instance, the manager of an index fund that tracks the performance of the S&P 500 typically buys a portfolio that includes all of the stocks in that index in the same proportions as they are represented in the index.

Balancing Risk and Rewards

Generally with investments, the higher the risk, the higher the potential earnings. However, there are risks involved in every investment, even the "safest" ones. Being too safe means you may not accumulate enough money for your goals. Being too aggressive means you could lose some or all of your money. Talk with an investment professional about levels of risk and how they relate to your financial situation and your goals. Once you know how comfortable you are with varying levels of risk, check out investment strategies that can help you balance risk with the rewards of higher earnings. Two investment strategies, diversification and asset allocation, are described below.

Diversify: Protect Your Money by Spreading It Out Among Different Asset Classes

There are three major kinds of asset classes—stocks, bonds and cash. Mutual funds are classified based on what they own, so if a fund owns bonds, for example, it would count toward your bond asset class. If you think of these asset classes as baskets, it's easy to remember why you should invest in more than one of them—so you don't put all your eggs in one basket.

The three asset baskets tend to perform differently, so a good way to both protect and grow your money is by investing money in all three baskets. That way, when one basket is having a down year, the other two baskets may be doing better. You might consider working with an investment professional to help you take these steps and diversify your money among these asset baskets.

- Decide what percentage of your money you want to put (allocate) in each basket, which can vary based on your investing time frame. When you're young and have more than a decade before retirement, you may want to invest more money in stock funds, which can be volatile over the short run but have historically performed better than other investments over the long run. But then you may want to shift more of your money to conservative investments (bond funds and cash) as you get closer to retirement.



Thrift Savings Plan Lifecycle Funds: An Easy Way to Diversify

The TSP makes it easy for you to diversify the investments you make for retirement with a Lifecycle (L) Fund. These funds are set up to meet investment objectives based on the time when you would expect to retire. The investments are made assuming that the longer the time until you retire, the better you will be able to tolerate risk (fluctuation) in your account to get higher rates of return. The investment mix becomes more conservative as its target date approaches. Learn more about the L Funds at www.tsp.gov and how they change through time.

- ▶▶ Decide what stocks, bonds and cash investments to buy. Here's where diversification comes in. Diversification means buying more than one stock, bond or mutual fund. If you don't have a lot of money to buy different stocks and bonds, you might consider starting off with a single, diversified mutual fund. There are several ways to get started investing with small amounts of money. Those are explained throughout this chapter.

Tax-Free and Tax-Deferred Investments

Taxes can take a big bite out of what you earn on investments, but there are ways to keep more of your money. Tax-free and tax-deferred investments eliminate or postpone paying taxes on what you earn—sometimes until you are retired and, possibly, in a lower tax bracket. Municipal bonds and retirement accounts are examples of “tax-advantaged” investments. If one is right for your needs, the tax savings will be the icing on the cake!

You're Not Alone: Regulators are on the job, helping to protect you and your investments.

- ▶▶ **The U.S. Securities and Exchange Commission (SEC)** is a federal agency responsible for protecting investors, maintaining fair and efficient markets, and facilitating capital formation. The SEC has broad authority over investment markets and organizations which offer investments to the public. They enforce securities laws and can bring civil actions against individuals and companies for violation of these laws. They also offer investor education information, including access to the EDGAR database of disclosure documents that public companies are required to file with the Commission.
- ▶▶ **The Financial Industry Regulatory Authority (FINRA)** is the nation's independent, non-governmental regulator authorized by Congress to protect America's investors. FINRA touches virtually every aspect of the securities business—from registering and educating industry participants to examining securities firms, writing rules, enforcing those rules and federal securities laws, and informing and educating the investing public—all at no cost to taxpayers. FINRA and the FINRA Investor

Education Foundation have a wealth of materials available to help military families manage their money with confidence.

- ▶▶ **State securities regulators** enforce state securities laws. They also license securities firms and investment professionals, register certain securities offerings, review financial offerings of small companies and audit securities firm branch offices. Many state securities regulators are active conducting outreach in their community.

Do your part: check out investments and investment professionals before you do business with them. Use FINRA BrokerCheck – (<http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>) to check registration and disciplinary records (for free). Keep in mind that Investments carry risk. There is no guarantee that you will make money from an investment, and you may lose some or all of your investment. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of managing your money.



Investing for College

Today's college costs seem so high that you might wonder if you can ever afford college for your children. Don't be discouraged. According to the Smart Saving for College Guide at www.SaveAndInvest.org, college can be within the reach of families—especially for those who start saving for it early. For example, if you invest \$100 a month at an 8 percent annual rate of return for your newborn child, you will have more than \$48,000 for college when he or she turns 18. Use the Savings Calculator at www.SaveAndInvest.org to see how early and regular investing can make your money grow.

Once you start to accumulate money for a child's education, several tax-advantaged options enable you to keep more of the money. Look at the chart on pages 74 and 75 to see how they compare. Tax rules that apply to college savings options are complicated. Before investing, you may want to check with your base financial office or tax adviser about the tax consequences of investing in any of these options.

- ▶▶ **529 College Savings Plan:** A tax-advantaged college savings plan where investment earnings are tax free if used for qualified college expenses. Your contributions may be tax-deductible in about two-thirds of the states, but you generally need to contribute to your own state's plan to qualify for the state-tax break. You can contribute to any state's plan and use the money at any college in any state. You can usually invest in several mutual fund choices, and most 529s offer age-weighted portfolios, with investments that automatically become more conservative through time as your child gets closer to college age. The number "529" represents the section of the IRS tax code that governs this plan. In addition to 529 College Savings Plans, there is another type of 529 plan called a Prepaid Tuition Plan. This kind of plan allows you to pay for future college attendance at today's tuition rates.
- ▶▶ **Coverdell Education Savings Accounts (ESAs):** A tax-advantaged college savings plan where investment earnings are tax-free if used for qualified educational expenses. Coverdell is the last name of the Georgia Senator who introduced legislation for this college savings account. You can generally invest this money in stocks, bonds, mutual funds and other investments. For more information on 529 College Savings Plans and Coverdell ESAs, read FINRA's Smart Saving For College Guide. Visit www.SaveAndInvest.org and click Save For the Future, then College. There you also will find numerous tools including a College Savings Calculator, a 529 Expense Analyzer and more.
- ▶▶ **Custodial Accounts:** A financial account, such as a savings account, set up for a minor (usually under the age of 18 or 21, depending on what state you live in) and managed by an adult (usually the minor's parent or guardian). When the child reaches the age of majority in your state, however, they will own and control the funds in a custodial account. By contrast, an adult setting up a 529 or Coverdell Savings plan can remain the account owner and control the funds.

GI Bill Benefits for Your Children

The Post-9/11 GI Bill may be able to help pay for your children's education. The GI Bill can pay up to the full cost of in-state tuition and fees at a public college for up to 36 months, which would cover four years of tuition at a college with a nine-month academic year. Effective August 2014, benefits are capped at \$20,235.02 per academic year. This amount is updated annually each August, if you attend a private college. To qualify for the maximum benefits, the servicemember must have served for at least 36 months since September 11, 2001. Some servicemembers may now be able to transfer all or a portion of their GI Bill benefits to their children. Children may start to use the benefits only after the servicemember making the transfer has completed at least 10 years of service in the Armed Forces, and may not use the benefits after reaching age 26.

For more information about the GI Bill, see www.gibill.va.gov. And for more information about transferring the benefits to spouses and children, see the Department of Defense's GI Bill transfer Web page at www.defense.gov/home/features/2009/0409_gibill/.

College Savings Plan Comparisons					
	529 College Savings Plan	Prepaid Tuition Plan	Education Savings Accounts	Custodial Accounts	Savings Bonds
Ownership/Control	Contributor	Contributor	Contributor	Custodian until child reaches age of majority.	Contributor
Investment Choices	Typically, plans provide several investment options.	None	You can usually invest in a wide range of mutual funds, stocks, bonds and other investments.	No restrictions	Savings bonds
Age Limits	None	Plan may set age or grade limits.	Except for special-needs children, no contributions can be made after a child reaches age 18, and withdrawals must be made before the beneficiary reaches age 30.	Minor child	Owner must be at least 24 before the bond's issue date to be able to exclude some of the earnings used for college tuition and fees from taxes.
Expenses Covered Besides Tuition and Fees	Qualified education expenses for post-secondary education.	With a few exceptions, only tuition and fees for post-secondary education are covered.	Qualified elementary and secondary education expenses or qualified higher-education expenses.	No restrictions on types of expenses.	Tuition and mandatory fees for post-secondary education and contributions to 529s and ESAs.
Contribution Limit	Varies from plan to plan; the majority of plans permit total contributions in excess of \$250,000 per beneficiary.	Fixed by terms of contract you purchase.	Contributor: \$2,000 per beneficiary per year. Beneficiary: \$2,000, does not matter how many ESAs are set up.	No limit	No limit

College Savings Plan Comparisons					
	529 College Savings Plan	Prepaid Tuition Plan	Education Savings Accounts	Custodial Accounts	Savings Bonds
Federal Tax Advantages	Earnings grow tax deferred and are tax free if used for qualified education expenses.	Earnings grow tax deferred and are tax free if used for qualified education expenses.	Earnings grow tax deferred and are tax free if used for qualified education expenses.	\$950 in earnings are tax free.	Interest grows tax deferred and can be tax free if used for qualified education expenses.
State Tax Advantages	Varies from state to state, but some states provide a tax deduction for contributions, tax-free earnings growth and tax-free withdrawals for qualified education expenses.	Varies from state to state, but some states provide a tax deduction for contributions, tax-free earnings growth, and tax-free withdrawals for qualified education expenses.	None	None	Interest is usually exempt from state and local taxes.
Income Phase-Out	None	None	Single filers: \$95,000 – \$110,000 Joint filers: \$190,000 – \$220,000	None	Single filers: \$74,700 – \$89,700 Joint filers: \$112,050 – \$142,050 in 2013.
Penalties for Non-Qualified Withdrawals	Earnings are taxed as ordinary income and may be subject to a 10-percent penalty.	Earnings are taxed as ordinary income and may be subject to a 10-percent penalty.	Withdrawals that exceed the beneficiary's education expenses for the year may be taxable.	None	Interest earned is taxed as income.



Find out approximately how much you need to save each year so you have enough money to live on after you retire. Use the Ballpark E\$timate® Savings Worksheet at www.SaveAndInvest.org (click Financial Basics, then Savings). If you are new to saving and investing, don't hesitate to ask for help with this calculator by contacting your Personal Financial Manager, a financial educator or a counselor at your installation support center.

Investing for Retirement

If you are a younger servicemember, retirement may seem a long way off. The good news is that the longer you have until retirement, the easier it can be to build funds for a comfortable and secure retirement—especially if you choose tax-advantaged plans. You have a number of excellent retirement investment plan choices.

Retirement Plans for Servicemembers

If you serve honorably for 20 years or more, you will receive income from the Uniformed Services Retirement System when you retire from the military. The amount of that income depends on your years of service and rank at retirement. Although often described as a pension, military retired pay is a federal entitlement for those who qualify. As a result, unlike a traditional private sector pension or a defined contribution plan, the military system has no special retirement accounts, no matching funds provision, no interest and no investment decisions that the individual has to make. Keep in mind, however, that you will not receive partial benefits if you retire before 20 years. As a result, it can be important to save some money for retirement on your own.

Another retirement plan available to servicemembers, regardless of how many years they serve, is the Thrift Savings Plan (TSP). This plan offers tax benefits and investment choices, and is an excellent way to build your retirement nest egg—whether you remain in the military until retirement or not. It is very similar to 401(k) plans available in the private sector. Remember, you don't have to be rich to build wealth—you just have to save. The amount of your retirement wealth is directly related to how soon you start saving. With the power of compound interest, even saving small amounts early on in your military career will help you avoid playing a potentially painful game of “catch up” as you near retirement.

Here's a summary of how the TSP works.

Military Transition

Whether you're retiring after a long military career or separating after completion of service, your transition to civilian life can result in culture shock. But millions of servicemen and women have successfully navigated this transition, and you will too. FINRA Foundation can help you get started at www.SaveAndInvest.org/MilitaryCenter/MilitaryFinancialToolkits/Transition.

Every transitioning service member will be required to attend the series of Transition GPS (Goals, Plans, Success) Workshops. Military spouses should also attend if possible. You can pick up very valuable information at the seminars and counselling sessions.

Thrift Savings Plan At a Glance			
Eligibility	Contributions	Tax Benefits	Investment Choices
As soon as you join the military	<ul style="list-style-type: none"> You may contribute to a traditional TSP, Roth TSP or a combination of both TSP options You may contribute up to 100 percent of basic pay each pay period. The maximum dollar amount that is tax deferred cannot exceed \$18,000 in 2015, plus an extra \$6,000 in catch-up contributions for people age 50 and older You may also contribute up to 100 percent of incentive or special pay, including bonus pay Amount of TSP contributions may be changed at any time TSP contributions may be stopped at any time Contributions can continue if you transfer to a new branch of service 	<ul style="list-style-type: none"> Contributions may be eligible for the Retirement Savings Contributions Credit (refer to IRS Form 8880) Contributions from combat zone pay (nontaxable income) are tax exempt (in 2015, maximum contribution is limited to \$53,000 from all sources of income—tax deferred and tax exempt) Earnings are tax deferred until you withdraw them 	<ul style="list-style-type: none"> Government Securities Fund (G Fund) Fixed Income Index Fund (F Fund) Common Stock Index Fund (C Fund) Small Capitalization Stock Index Fund (S Fund) International Stock Index Fund (I Fund) Lifecycle Funds (L Funds)

Traditional and Roth TSPs

Federal employees may contribute to a traditional TSP account, a Roth account or both.

Both traditional and Roth options feature tax-deferred compounding of your contributions. Both have no income limits and require minimum distributions after you turn 70½ in most cases. And both can be rolled over to an IRA when you retire or leave your job for any reason.



But tax treatment between the two 401(k) options differs:

	Traditional TSP	Roth TSP
Contributions	Come from pre-tax income, reducing gross income reported to IRS.	Come from taxable income, not reducing gross income reported to IRS.
Withdrawals	Taxed at your ordinary income tax rate.	Tax-free provided account is open at least five years and you are at least 59½.

There are no income restrictions limiting who can participate in either option.

Which is right for you?

There is no one-size-fits-all answer. Instead, the right answer for you will depend on your current tax situation and whether your tax rate is likely to be higher or lower in retirement.

Since you don't pay any taxes on Roth withdrawals, the higher your tax bracket in retirement, the more advantageous a Roth is likely to be. Strong savers—including those who contribute the maximum amount allowed by the IRS each year—are good Roth candidates because they are likely to have a bigger nest egg in retirement that can benefit from Roth's tax-free withdrawals.

On the other hand, if you're in a low tax bracket today, you might consider a Roth now, when a lowering of your gross income will not be as significant a tax benefit as it might be later on, if you find yourself in a higher bracket.

Because it comes right out of your paycheck, a Roth contribution is likely to reduce your take home pay by more than a similar contribution to a traditional TSP, which is made using pre-tax dollars. If you want to save—and take home as much money as possible—a traditional TSP is perhaps the way to go. Finally, since no one knows what tax rates will be in the future, diversifying with contributions to both a traditional and Roth TSP option might be a way to hedge your tax bets with your retirement savings.



Plan to Save

Remember, saving is an expense—money you spend on your future. Saving for retirement in a tax-deferred plan makes good financial sense because your contributions grow faster. Money you would have spent on taxes increases in value and helps offset your costs during retirement.

Take Advantage of Tax-Deferred Savings

Military spouses should take care to contribute as much as they can to their own employer or personal retirement plans. And spouses who don't earn an income can still contribute to a Spousal IRA, enabling the working spouse to contribute up to \$5,000 on their behalf to their account in 2012. The power of tax-deferred saving multiplies when both spouses are contributing to tax-deferred plans. Compare future retirement savings amounts with and without a spouse's retirement contributions by using the Savings Calculator at www.SaveAndInvest.org. Refer to page 58 for guidance on how to use the calculator.

Investment Allocation

You can designate how your contributions are allocated, or invested, among the investment choices. With the TSP's lifecycle funds, you can put your retirement savings on automatic pilot because the fund you choose—based on the date you target for your retirement from the workplace—will make your investment allocations for you and will automatically adjust your mix as you get older. See pages 61 to 70 for information on advantages of different types of investments and their associated risks and for information on diversifying your investment assets.

Catch-Up Contributions

In 2015, service members age 50 or older may contribute an additional \$6,000 to their TSP.

TSP Transfers

When you leave or retire from military or federal service, you can transfer TSP assets to a traditional or Roth IRA, or to another employer plan. But a rollover is not required. You may leave the money in existing TSP accounts. If you choose to move the funds, be certain to have the funds transferred directly from one institution to another. Otherwise, you may get stuck paying what can be significant taxes and penalties, or be tempted to spend the money you have saved.

Because TSP fees are very low, think hard before moving money out of your TSP and into another account. Learn more about TSP transfers at www.TSP.gov.

In deciding whether or not to roll over your retirement assets, familiarize yourself with the following retirement plan choices on the following page:

Other Tax-Advantaged Retirement Plans				
Plan	Eligibility	Contributions	Tax Benefits	Investment Choices
401(k) or 403(b)	<ul style="list-style-type: none"> Determined by the employer; sometimes requires employment for a certain period of time 	<ul style="list-style-type: none"> Usually made through payroll deductions. May require a minimum of 1 to 2 percent of pay to participate in the plan with a maximum of 100 percent; the dollar amount contributed that is tax deferred cannot exceed \$18,000 for an employee under age 50 in 2015, or \$24,000 for an employee age 50 or older in 2015 You may change the percentage of your contribution at will Your employer may match all or a portion of your contributions 	<ul style="list-style-type: none"> Earnings and contributions are tax deferred until you withdraw them Matching contributions and earnings are tax deferred 	<ul style="list-style-type: none"> Set by each plan Minimum of three investment choices. Average plan offers eight to 12 alternatives Some plans offer brokerage accounts, giving you a choice of investments from the full range of stocks, bonds, mutual funds, and other types of assets rather than having to choose among the plan's alternatives
Individual Retirement Account (IRA)	<ul style="list-style-type: none"> Must have earned income. Contributions may not exceed earned income except in cases of Spousal IRA 	<ul style="list-style-type: none"> Contributions may be made any time up to your tax filing date for that year (April 15 for most people). For 2015, the contribution maximums are \$5,500 if under age 50 and \$6,500 if age 50 or older* You may roll over (transfer) proceeds from a TSP or 401(k) plan into an IRA. (This does not affect contribution limits.) 	<ul style="list-style-type: none"> Contributions may be tax deductible, depending on income and employment Earnings are tax deferred until you withdraw them 	<ul style="list-style-type: none"> Determined by where you open your IRA: Bank Credit union Mutual fund company Brokerage firm
Roth IRA	<ul style="list-style-type: none"> Must have earned income of at least the amount contributed* May not contribute if you earn more than \$131,000 as a single taxpayer or \$193,000 as a couple in 2015 	<ul style="list-style-type: none"> Contributions may be made any time up to your tax filing date for that year (April 15 for most people). For 2015, the contribution maximums are \$5,500 if under age 50 and \$6,500 if age 50 or older Contributions are not tax deductible and can be withdrawn any time without taxes or fees 	<ul style="list-style-type: none"> Earnings may be withdrawn tax free as long as the account has been open at least five years and you are 59½ or older 	<ul style="list-style-type: none"> Determined by where you open your IRA: Bank Credit union Mutual fund company Brokerage firm

* A working spouse can contribute to a Roth IRA on behalf of a nonworking spouse.



Annuities and Income Taxes

Most investors should consider annuity products only after making the maximum contribution to a TSP, 401(k) or other before-tax retirement plan. That's because these retirement plans let you deduct contributions from your income. Annuities don't allow a deduction for contributions but do not limit how much you can invest. Both before-tax retirement plans and variable annuities let you defer taxes on investment gains.

Investing in Annuities

Annuities are sold by insurance companies. They pay a stream of income to you during your lifetime, usually after you retire. If payments start right after you purchase it, you have an *immediate annuity*. If payments are delayed to the future, you have a *deferred annuity*. Annuities are contracts you can purchase that can guarantee a lifetime income.

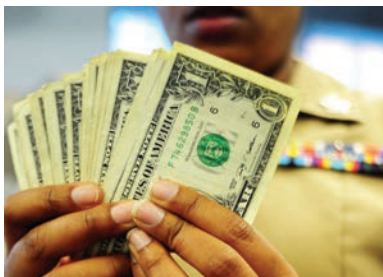
There are different types of annuities. A fixed annuity will provide a set amount of income monthly. It pays a guaranteed minimum interest rate along with additional interest when market interest rates allow, and is fairly straightforward. A variable annuity will provide income based on the mutual fund-like accounts you invest in and how well they perform. Variable annuities can be complex and confusing—making it difficult for investors to understand what's being recommended to them. They can also be expensive, especially when compared to the TSP or other three employer-sponsored retirement plan, or most mutual funds.

You might also hear about a third type of annuity: fixed-indexed insurance products (also known as equity-indexed annuities). These are complex financial instruments that have characteristics of both fixed and variable annuities. Their return varies more than a fixed annuity, but not as much as a variable annuity. So EIAs typically give you more risk (but more potential return) than a fixed annuity but less risk (and less potential return) than a variable annuity.

While any of these products can be an appropriate investment under the right circumstances, all three require understanding.

While any of these products can be an appropriate investment under the right circumstances, all require understanding. Before investing, you should make sure you understand how they work. When working with an annuity salesperson, get answers to the following questions so you can make an informed decision:

- ▶▶ What are the surrender charges or other penalties if I withdraw funds from the investment earlier than anticipated, and how long do they last?
- ▶▶ Will you be paid a commission or receive any type of compensation for selling me this variable annuity? How much?
- ▶▶ What are the risks that my investment could decrease in value?
- ▶▶ Why is an annuity appropriate for me?
- ▶▶ What are all the fees and expenses?



Dollar-Cost Averaging

Making small, regular monthly investments can be a great way to meet your financial goals. By regularly investing small amounts, say \$50 a month, you don't have to "time" the market to make money. Instead, you take advantage of the market's ups and downs through dollar-cost averaging—routine investments made at regular intervals and for set amounts. Over the long-term, you buy more shares when their costs are low and fewer when they are high.

Ways to take advantage of dollar-cost averaging:

- ▶▶ The Thrift Savings Plan (TSP) (see page 77): a tax-advantaged retirement savings plan, allows you to contribute any type of pay each pay period. The plan has no up-front sales commission and low portfolio management expenses.
- ▶▶ Some mutual fund companies allow you to make monthly investments for as low as \$50, and some waive or reduce initial minimum investments.
- ▶▶ If your goal is to save for education expenses, tax-advantaged 529 College Savings Plans and Coverdell Education Savings Accounts (see page 73) also offer low initial minimum investments and low monthly investment amounts. For more information, visit www.SaveAndInvest.org and click Save for the Future.
- ▶▶ Some public companies offer direct stock purchase plans (DSPs) and dividend reinvestment plans (DRIPs) where you purchase shares or partial shares on a monthly basis, as well as reinvest your dividends.

Investor Alert—Rollovers From Your TSP

If you are considering rolling over money from the Thrift Savings Plan into an IRA—or if you have been in contact with a financial professional to do so—follow these tips to decide whether an IRA rollover is right for you.

- ▶▶ Evaluate your transfer options
- ▶▶ Minimize taxes by rolling Roth to Roth and traditional to traditional
- ▶▶ Think twice before you do an indirect rollover (an indirect rollover occurs when you accept a distribution from your plan administrator, and assume responsibility for completing the transfer to the IRA or another Plan)
- ▶▶ Be wary of “Free” or “No Fee” claims
- ▶▶ Realize that conflicts of interest exist for the person suggesting the rollover; they may make money if you rollover funds to an account they manage for you
- ▶▶ Compare investment options and other services
- ▶▶ Understand fees and expenses
- ▶▶ Talk to your financial or tax professional

The decision to move your retirement nest egg or stay put is an important one. You don’t have to act immediately upon separation or retirement. Take the time to assess your options. Ask questions and do your homework to determine what is best for you. For a more complete discussion about this issue, visit <http://www.saveandinvest.org/saveforfuture/retirement/smartretirement/taxationofretirementincome/p391513>.





Getting Help From an Investment Professional

As you begin to invest in your future to meet your long-term financial goals, you may want to seek the help of an investment professional. To do so, it helps to understand the various types of investment professionals out there, the type of advice they give, if they need to be licensed or certified, how they get paid and the breadth of advice they can provide.

Types of Investment Professionals

- ▶▶ **Stock Broker:** A person who buys and sells investment products on your behalf, usually for a commission. A stock broker can advise you on specific investments, such as stocks, bonds and mutual funds. He or she must pass an examination to obtain a broker's license, be registered with the Financial Industry Regulatory Authority (FINRA), and work for a brokerage firm that must be registered with the Securities and Exchange Commission (SEC) and FINRA.
- ▶▶ **Investment Adviser:** An individual who receives payment to either provide investment advice to individuals or manage a portfolio of investments, such as a mutual fund. Investment advisers receive payment in a variety of ways: as (1) a percentage of the assets they manage for you, (2) an hourly fee, (3) a fixed fee, (4) a commission on investments they sell to you or (5) a combination of these. Advisers must register either with the Securities and Exchange Commission (SEC) or their state's securities agency.
- ▶▶ **Financial Planner:** An individual who receives payment for helping you develop a strategy for managing your money. Financial planners can differ greatly in the quantity and quality of services they provide. Some planners will guide you through decisions you have to make for every aspect of your financial life: savings, investments, insurance, taxes, education, retirement and estate planning. Financial planners typically are paid in the same ways as investment advisers. Because no federal or state agency regulates financial planners, many become certified by the Certified Financial Planner (CFP) Board to establish credibility with their clients.

Note: The three investment professionals just described also use titles such as financial consultant, financial adviser or investment consultant.

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- ▶▶ **Accountant:** A person who receives payment, usually at an hourly rate or as a fixed fee, to inspect and audit financial records for individuals or companies. Accountants also prepare tax returns and provide tax planning, and to some degree, financial planning. Each state has an accountancy board, which requires accountants to pass an examination before issuing them licenses to practice accounting in their respective states as certified public accountants (CPAs). Accountants are subject to standards for ethical behavior under state law.
 - ▶▶ **Insurance Agent:** A person who sells life, health, or property insurance policies and other insurance products, such as annuities, usually for a commission. Insurance agents must be licensed by the state in which they sell.

Choose Your Investment Professional With Care

By now you've probably set some long-term financial goals, such as making investments or saving for a college education or retirement. Setting these goals and making a plan to reach them is your first step in ensuring you select the right investment professional. To begin searching for one, get referrals to investment professionals from family, friends and colleagues.

Before You Meet With an Investment Professional

It's a good idea to schedule a face-to-face meeting. Before you meet, arm yourself with questions to ask. How they are answered should indicate which professional will handle your financial affairs with integrity. Here are four areas to consider, along with questions you can ask, when choosing investment professionals.

Background—Education and Training

A college degree is not required of an investment professional, although many have advanced degrees. Some professionals are required to be licensed, certified or go through extensive training.

Know what credentials your investment professional must have before you invest. Visit FINRA's professional designation database at www.finra.org/designations. Find out the education and experience various investment professionals must have, the examinations they must pass, and if they are in good standing.

- ▶▶ What type of education and training do you have?
- ▶▶ What examinations did you take? Did you pass them?
- ▶▶ What licenses or certifications do you have? May I see them?
- ▶▶ Are you registered with FINRA, the SEC, or a state?

Experience

Ideally, you'll find an investment professional who has experience working with military personnel. A professional who understands your life on the move could serve you well. And, you want to be sure, without a shadow of a doubt, that you end up working with a legitimate, upstanding professional.

- ▶▶ What is your experience working with people in my situation?
- ▶▶ How long have you been in the investment business?
- ▶▶ Where did you work prior to this position? What is the status of those firms today?
- ▶▶ Have you ever been charged with any wrongdoing or disciplined by a regulator?



Approach to Investing

Determine whether an investment professional will act in your best financial interest. That means respecting your financial goals, tolerance for risk and need to access your money if necessary.

- ▶▶ What is your investment philosophy?
- ▶▶ Can you give me the contact information of long-term clients?
- ▶▶ What are all the products and services you offer?
- ▶▶ Knowing my financial goals, how would you approach helping me meet them?

Fees and Commissions

Refer to page 81 for ways investment professionals receive payment.

- ▶▶ How do you get paid?
- ▶▶ On the investment products you sell, what is the rate of commission you get paid?
- ▶▶ Would I pay commission when I buy an investment or when I sell it?
- ▶▶ Does anybody else get paid when I purchase an investment or are you offered incentives for selling an investment?

While You Meet With an Investment Professional

Make notes of how the investment professional answers your questions. Does he answer them to your satisfaction? Do you get the feeling she is honest and truthful? Do you think he can help you meet your financial goals?

After You Meet With an Investment Professional



Investigate Before You Invest

To verify an investment professional's background, contact:

- **FINRA BrokerCheck:**
www.finra.org/brokercheck
(800) 289-9999
- **SEC Investment Adviser Public Disclosure Database**
www.adviserinfo.sec.gov

To make sure an investment is properly registered, contact your state securities regulator:

- **North American Securities Administrators Association (NASAA)**
www.nasaa.org
(click Contact Your Regulator)
(202) 737-0900

To confirm what an investment professional tells you about an investment, visit:

- **SEC EDGAR Database of company filings**
www.sec.gov/edgar.shtml

For any investment professional you are interested in working with, do a background check before your first transaction. Look for proper registration, licensing or certification, as well as disciplinary history.

- ▶▶ **Brokers:** Use FINRA's BrokerCheck at www.SaveAndInvest.org by clicking Protect Your Money then Ask and Check or contact your state securities regulator (visit www.nasaa.org, then click Contact Your Regulator).
- ▶▶ **Investment Advisers:** Investment advisers who manage portfolios greater than \$25 million must be registered with the SEC. Review their registration form (Form ADV) on the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov, or contact your state securities regulator (visit www.nasaa.org, then click Contact Your Regulator).
- ▶▶ **Accountant:** If the accountant is a Certified Public Accountant (CPA), you can do a CPA background check at the American Institute of CPAs (AICPA). Visit www.aicpa.org (click For the Public, then Disciplinary Actions) or call the AICPA ethics hotline at (888) 777-7077. You can also contact your state's Board of Accountancy; visit www.aicpa.org (click Advocacy, then State Licensing & Legislation, then State Contact Info.)
- ▶▶ **Insurance Agent:** Contact your state's Insurance Department to do a background check on an insurance agent (visit www.naic.org, then click States & Jurisdictions).
- ▶▶ **Financial Planners:** Financial planners may be regulated in relation to other services they provide. For example, an accountant who prepares financial plans would be regulated by the state Board of Accountancy, and a financial planner who is also an investment adviser would be regulated by the Securities and Exchange Commission or by the state where the adviser does business. In addition, if the planner uses the Certified Financial Planner™ (CFP™) trademark, you can do a background check through the Certified Financial Planner Board of Standards, Inc. Visit www.cfp.net (click SEARCH for a Certified Financial Planner™ Professional or call (800) 487-1497).

Ultimately, your goal is to identify an investment professional you trust—who has the right skills to help you meet your financial goals, make sound decisions, and monitor your investments. Make sure you select a professional who answers your questions to your satisfaction and passes your background check.



Don't be pressured or rushed into buying an investment before you have a chance to think about—and investigate—the investment opportunity you're being presented.

Common Investor Problems and How to Avoid Them

FINRA receives investor complaints about brokers and the firms they represent at its Investor Complaint Center. Frequently reported complaints are:

- ▶▶ **Misrepresentation:** Making false claims or omitting material facts about an investment
- ▶▶ **Cold-calling:** Making unsolicited or unwanted phone calls and using high-pressure sales tactics
- ▶▶ **Unsuitability:** Recommending an investment that is inconsistent with the investor's investing objectives and profile
- ▶▶ **Unauthorized trading:** Selling or buying securities without the investor's prior knowledge and authorization

If you encounter any of these problems or believe you have been defrauded or treated unfairly by a broker, act immediately—you have a limited time to take legal action. Contact the firm's branch manager and compliance department and explain your situation. If you are not satisfied with your broker's response, file a complaint at FINRA's Investor Complaint Center at www.finra.org (click Investors, then Protect Yourself).

How to Avoid Investment Scams

Have you ever heard about an investment that sounded too good to be true? In many cases, it probably is. The Securities and Exchange Commission (SEC) offers these tips for avoiding investment scams:

- ▶▶ Investigate investments thoroughly and check the truth of every statement you are told about it.
- ▶▶ Be leery of investments that promise spectacular profits, guaranteed returns, or no risks. Very few investments are risk free. The greater the potential return from an investment, the greater your risk of losing money. Promises of quick and high profits, with little or no risk, are classic warning signs of fraud.
- ▶▶ Be skeptical of any investment opportunity that is not in writing. Also be suspicious if you are told to keep the investment opportunity confidential.
- ▶▶ Don't be pressured or rushed into buying an investment before you have a chance to think about—and investigate—the “opportunity.”
- ▶▶ If you receive an unsolicited e-mail from someone you don't know, containing a “can't miss” investment, your best move is to pass up the “opportunity” and forward the spam to the SEC through the SEC Center for Complaints and Enforcement Tips (www.sec.gov/complaints.shtml). Use the “Add Attachments” feature at the bottom of the form to include copies of junk email or message board postings.



Conclusion

This booklet has covered many topics that apply to both active duty military and to Reserve and National Guard members. It's a lot to absorb. We hope you will keep this booklet with you for years to come and refer to it from time to time. The staffs at the National Endowment for Financial Education, FINRA Investor Education Foundation, and the National Military Family Association are proud of your efforts and your commitment to our nation's defense. We extend our sincere best wishes to you for a successful and rewarding military career and a life of financial security.

Following are summaries of your military rights and benefits discussed throughout this publication. The summaries include Web resources and contacts for more information, as well as the page in this publication on which the right or benefit was introduced.

Summary of Legal Rights that Affect Your Financial Well-Being

Category	Name	Provision	Publication Resource
Lending	Military Lending Act (MLA)	Protects servicemembers from predatory lenders; all lenders must disclose, orally and in writing, your rights before you commit to a credit transaction.	Page 56
Insurance, Leases, Loans and Civil Court Actions	Servicemembers Civil Relief Act (SCRA)	States interest rate caps on loans; termination and reinstatement laws for leases, life insurance, health care and housing; and delay requirements for civil court actions.	Page 4
Employment	Uniformed Services Employment and Reemployment Rights Act (USERRA)	Requires employers to give you your job back when you return home; and to keep you on their health care plan, at a cost, or reinstate you with no waiting period when you return home.	Page 14
Income Tax	Military Family Tax Relief Act	Provides tax breaks to military personnel in these areas: death benefits, sale of principal residence, overnight travel (National Guard and Reserve), homeowner assistance, tax filing extension, dependent care, qualified college savings accounts. For more information, read the Armed Forces' Tax Guide, Publication 3, visit www.irs.gov , or call (800) 829-3676.	Page 24

Summary of Military Rights that Affect Your Financial Well-Being

Category	Name	Provision	Publication Resource	Resource
Retirement	Thrift Savings Plan (TSP)	Finance/Personnel	Page 77	www.tsp.gov www.SaveAndInvest.org/ (click Save for the Future, then Retirement)
	Uniformed Services Retirement System	Finance/Personnel	Page 76	http://militarypay.defense.gov/retirement
Compensation	Special Pays	Finance/Personnel	Page 3 (sidebar)	www.military.com (click Benefits then Military Pay); and www.dfas.mil/militarymembers

Summary of Military Rights that Affect Your Financial Well-Being (con't)

Category	Name	Provision	Publication Resource	Resource
Money Management	Personal Financial Managers	Installation Support Centers (e.g., Army Community Service)	Page 5 (sidebar)	Check local installation listings
	Servicemembers Civil Relief Act (SCRA)	Judge Advocate	Page 4	http://legalassistance.law.af.mil/ (to locate a legal assistance office)
Insurance	Servicemembers' Group Life Insurance (SGLI)	Finance/Personnel	Page 8	www.insurance.va.gov (click Servicemembers' and Veterans' Group Life Insurance in the left-column menu)
	Traumatic Servicemembers' Group Life Insurance (TSGLI)	Finance/Personnel	Page 9	www.benefits.va.gov/insurance (click Servicemembers' and Veterans' Group Life Insurance in the left column menu)
Health Care	TRICARE for Reservists	Personnel	Page 13	www.tricare.mil/reserve
	USERRA	Judge Advocate	Page 14	http://www.osc.gov/userra.htm
	Women, Infants, and Children (WIC)	Personnel	Page 31 (sidebar)	Domestic: www.fns.usda.gov/wic Overseas: www.tricare.mil/wic
Income Tax	Earned Income Tax Credit (EITC)	IRS	Page 6	www.irs.gov
	Tax-free earnings for combat zone pay	Finance/Personnel	Page 6	www.irs.gov/uac/combatazones (800) 829-1040
Homeownership	Home Loan Guaranty Services	Department of Veterans Affairs	Page 24	www.benefits.va.gov/homeloans
Career	Possible spouse unemployment	Installation Support Center (e.g., Fleet and Family Support Center)	Page 34 (sidebar)	www.usa4militaryfamilies.dod.mil (click Key Issues, then Unemployment Compensation)
Education	Possible student loan deferment	Installation Education Center; Department of Veterans Affairs	Page 6	www.studentaid.ed.gov (click Postponing Repayment)



Where Can My Family and I Get More Information?

For resources that will help servicemembers take control of their financial futures, visit www.SaveAndInvest.org.



Financial Readiness Programs of the Military Services

- **Army Personal Financial Readiness**, available at Army Community Service Centers
- **Navy Personal Financial Management**, available at Fleet and Family Support Centers
- **Marine Corps Personal Financial Management Program, Personal Financial Specialists** available at local Marine Corps Community Services (MCCS)
- **Air Force Financial Information**, available at www.afcrossroads.com and at Family Service Centers
- **Coast Guard Office of Work-Life Programs – Personal Financial Management Program**, <http://www.uscg.mil/worklife/financial.asp>

Other Resources

- **Check investment professional credentials**, <http://www.finra.org/Investor/Resources/Designations/>
- **Office of Servicemembers' Group Life Insurance**, <http://www.benefits.va.gov/insurance/sgli.asp>
- **State National Guard Military Headquarters** will usually activate a Family Assistance Center when a Reserve unit is mobilized

Financial Readiness Partner Organizations and Websites

- **American Savings Education Council**, www.choosetosave.org
- **Defense Credit Union Council**, www.dcuc.org
- **Federal Trade Commission/Military Sentinel**, www.ftc.gov/sentinel/military
- **FINRA Investor Education Foundation**, www.SaveAndInvest.org
- **U.S. Financial Literacy and Education Commission**, www.mymoney.gov

- **Military Saves**, www.militarysaves.org
- **National Endowment for Financial Education**
For more information about the National Endowment for Financial Education, visit www.nefe.org and www.SmartAboutMoney.org.
- **National Military Family Association**, www.MilitaryFamily.org
- **Securities and Exchange Commission**, www.sec.gov

Other Resources

- **Check investment professional credentials**, www.finra.org
- **DOD Reserve Affairs**, www.defenselink.mil/ra
- **Free credit report copies**, www.annualcreditreport.com, (877) 322-8228
- **IRS**, www.irs.gov, (800) 829-3676
- **Judge Advocate General's Corps**, www.jagcnet.army.mil
- **Military Money**, www.militarymoney.com
- **Military Pay Information**, www.dod.mil/dfas
- **Military Student**, www.militaryk12partners.dodea.edu
- **Office of Servicemembers' Group Life Insurance**, www.osgli.osgli@prudential.com, (800) 419-1473
- **Shop for lower rate credit cards**, www.bankrate.com
- **Stop credit card offers**, www.optoutprescreen.com, (888) 567-8688
- **Thrift Savings Plans**, www.tsp.gov
- **TRICARE for Reservists**, www.tricare.osd.mil/reserve
- **Women, Infants, and Children (WIC) Program**, www.fns.usda.gov/wic
- **Women, Infants, and Children (WIC) Overseas Program**, www.tricare.mil/wic



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NEFE is the only private, nonprofit, national foundation wholly dedicated to improving the financial well-being of all Americans. NEFE inspires empowered financial decision making for individuals and families through every stage of life. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

The FINRA Investor Education Foundation's mission is to provide investors with high-quality, easily accessible information and tools to better understand investing and the markets. One of the FINRA Foundation's major initiatives is a multi-faceted financial education program targeted at members of the military and their families. *Money & Mobility* is part of that initiative. For additional information about the FINRA Foundation and to obtain more information about its military financial readiness program, please visit www.SaveAndInvest.org.

Military families serve our country with pride, honor, and quiet dedication. The National Military Family Association is the leading nonprofit organization committed to strengthening and protecting the families of the men and women currently serving, retired, wounded or fallen. NMFA provides families of the Army, Navy, Marine Corps, Air Force, Coast Guard, and Commissioned Corps of the USPHS and NOAA with information, works to get them the benefits they deserve, and offers programs that improve their lives. NMFA's 45-plus years of service and accomplishments have made us a trusted resource for military families and the Nation's leaders. To learn more, visit www.MilitaryFamily.org.

Photos courtesy of the United States Department of Defense, www.defenselink.mil.



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For more information, visit www.SaveAndInvest.org