

Financial Topics for Military Families

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Offering Financial Freedom to Those Who Protect Ours!



Financial Challenges for Service Members and Their Families



Lifestyle



Frequent moves
Deployment
Spouse employment



Age



Away from support system
Early marriage & families



Easy credit



Predatory businesses
Aggressive tactics
Easy to track down

Financial Mismanagement

Military

- Negative evaluation
- Loss of promotion
- Loss of overseas transfer
- Revoked security clearance
- Non-judicial punishment
- Reduction in rank
- Discharge

Civilian

- Denial of credit
- Low credit score
- Repossession
- Foreclosure
- Bankruptcy
- Jail



Financial Talking Points

- **Spending Plans**
- **Savings**
- **Saving for Retirement**
- **Credit**
- **Using Technology**
- **Identity Theft**

Spending Plan Talking Points

- **Income**

- Active duty service members have Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS)
- National Guard and Reserve members will not have this in their pay unless they are on active duty orders
- BAH and BAS are nontaxable income
- Service members deployed to certain areas of the world will be earning money tax free while in that status
- Allotments are a special way for active duty service members to pay bills

Spending Plan Talking Points

- **Expenses**

- Housing and Utilities

- Members of the Guard and Reserve on active duty that will be returning to a traditional status (1 weekend a month and 2 weeks per year) need to base their housing related expenses on their civilian income and not on their military income
 - Energy Audits can help service members reduce their utility expenses

- Food

- Food expenses should also be based on civilian income where appropriate
 - Snacks, coffee, gas station and energy drinks can consume more than anticipated amounts of food budgets
 - Dining out varies by family

Spending Plan Talking Points

- **Transportation Expenses**

- Families with more than one car payment may find their transportation expenses meeting or exceeding their housing expenses
- Less fuel efficient vehicles can contribute to higher than normal expenses

- **Health Related Expenses**

- All Active Duty, National Guard and Reservists (except Guard and Reservists that are Federal Technicians) are eligible for Tricare
- Tricare is usually their most cost effective option for healthcare coverage for their families with low premiums, deductibles and out of pocket maximums
- Due to physical fitness requirements many will have a gym membership

Spending Plan Talking Points

- **Children's Expenses**

- These vary by family and should include childcare, sports and activity fees, music lessons, school fees and clothing
- As with all families these are personal spending decisions and at times is a source of tension

- **Debt**

- Excessive debt, even if the service member can afford the payments, can affect a service member's ability to gain and maintain a security clearance
- Collections, judgments and tax liens can also impact security clearances
- Financial considerations are the number one reason security clearances are denied or revoke

Spending Plan Talking Points

- **Debt Ratio**

- Minimum payments/net income x 100
- Example debt payments = \$725, net income =\$3,750
- $\$725/\$3,750 \times 100 = 19.33\%$

< 15% = Safe

15% - 20% = Caution

20% or more = Overextended

Spending Plan Action Items

- Increase Income
- Decrease Expenses
- Reduce Debt—powerpay.org
- Build Wealth
- Set Short, Medium or Long Term Goals

Spending Plan Talking Points

- **Resources**

- Military Family Assistance Specialists (relief funds and military grants)
- Connect 211—mention you are a veteran or service member
- Indiana Hardest Hit Funds 877GETHOPE
- County Veteran Service Officer <https://www.in.gov/dva/2370.htm>
- Indiana Department of Veterans Affairs <http://www.in.gov/dva>
- Discount websites
 - <http://www.military.com/discounts>
 - <http://themilitarywallet.com/howe-depot-loews-10-militarydiscount/>
 - <http://www.veteransadvantage.com/>

Savings Talking Points

- **Importance of Savings for Military Families**
 - For active duty service members long deployments can leave family members at home dealing with household issues on their own
 - While National Guard and Reservists can be deployed for longer periods they often have shorter term deployments
 - Even with 1 weekend per month and 2 weeks per year they can face financial challenges due to gaps in pay from their civilian jobs
 - Exercises of less than 30 days mean service members get paid at the end of their orders

Savings Talking Points

- **Military Family's Need for Savings**
- Military Contracts not being renewed (decrease or loss of income)
- Life changes
- Pending home sale with two mortgages or not being able to purchase a new home
- Unexpected deployment
- Lack of childcare or family support nearby
- Single parent or spouse deployed
- PCS (Permanent Change of Station) impacts spousal employment

Savings Talking Points

- **Emergency Funds**
 - \$1,000 first line of defense
 - 3-6 months of living expenses

Savings Talking Points

- **Savings Deposit Plan**

- This program allows service members assigned to designated combat zones to put up to \$10,000 in and earn 10% interest annually while they are deployed and for up to 90 days after they get back
- Emergency withdrawals are allowed under certain circumstances
- Funds are deposited into the service member's account of record 120 days after they return from the combat zone

Retirement Talking Points

- **Planning for Retirement**

- What are my retirement needs and what do I want life to look like in retirement?
- What is my time horizon?
- How much risk am I willing to accept?
- How much risk am I able to accept?
- How much diversification do I need?

Retirement Talking Points

- **Military Retirement**
 - Thrift Savings Plan (TSP)
 - Pension—stay 20 years or more

Retirement Talking Points

- **Thrift Savings Plan (TSP) [tsp.gov](https://www.tsp.gov)**
 - Military's version of a 401(k)
 - Defined contribution plan
 - Multiple fund options
 - Roth or Traditional contributions
 - Low administrative fees



Retirement Talking Points

- **Military Retirement**

- **Legacy System Pension (20 or more years of service)**

- $2.5\% \times \text{years served} \times \text{retired base pay}$
 - Active duty years = years served
 - National Guard and Reserve Total Retirement Points/360 = years served
 - Example Active Duty years served = 20, retired base pay (rbp) = \$4,000
 - $2.5\% \times 20 \times \$4,000 = 50\% \times \$4,000$
 - Retirement pay = \$2,000 per month
 - Example Reserve Component Total Retirement Points = 2,970, rbp = \$4,000
 - $2.5\% \times 2,970/360 \times \$4,000 = 2.5\% \times 2,970/360 \times \$4,000$
 - $2.5\% \times 8.25 \times \$4,000 = 20.62\% \times \$4,000$
 - Retirement pay = \$825 per month

Retirement Talking Points

- **Military Retirement**

- **Blended Retirement System Pension (20 or more years of service)**

- $2\% \times \text{years served} \times \text{retired base pay}$
 - Active duty years = years served
 - National Guard and Reserve Total Retirement Points/360 = years served
 - Example Active Duty years served = 20, retired base pay (rbp) = \$4,000
 - $2\% \times 20 \times \$4,000 = 40\% \times \$4,000$
 - Retirement pay = \$1,600 per month
 - Example Reserve Component Total Retirement Points = 2,970, rbp = \$4,000
 - $2\% \times 2,970/360 \times \$4,000 = 2\% \times 2,970/360 \times \$4,000$
 - $2\% \times 8.25 \times \$4,000 = 16.5\% \times 4000$
 - Retirement pay = \$660 per month

Retirement Talking Points

- **Military Retirement**

- **Blended Retirement System Additional Components**

- **TSP DoD Automatic and Matching Contributions**

- 1% automatic contributions after 60 days of service
 - Up to 4% in matching contributions after 2 years of service
 - Bottom line if the service member contributes 5% of their pay so will the DoD

- **Continuation Pay**

- Bonus received between 8 and 12 years of service
 - AC = 2.5 to 13 months of pay; RC = .5 to 6 months of pay
 - Additional service commitment required

- **Pension Lump Sum Option**

- Service members are eligible to take a lump sum of 25% or 50% of their pension up front at their eligible pension collection date in exchange for a reduced pension until they reach age 67 at which time they will receive their full pension

Retirement Talking Points

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Credit Talking Points

- Credit can impact a service member's ability to gain and keep the level of security clearance necessary for their MOS (Military Occupational Specialty) jeopardizing their military career
- The number one reason security clearances are denied or revoked is financial considerations
 - Living beyond their means
 - Too much unsecured debt
 - Not paying bills on time
 - Collections, judgments or tax liens

Credit Talking Points

- Overspending on a vehicle can lead to financial difficulties
- Most buy here pay here car lots and rent to own stores do not report to credit bureaus
- The Military Lending Act (MLA) says service members can't be charged an interest rate higher than 36% on most types of consumer loans and provides other significant rights
- The Service Members Civil Relief Act (SCRA) reduces interest rates to 6% for debts incurred prior to active duty orders

Credit Talking Points

- Security freeze vs. fraud alert on credit reports
- Student loans must be paid unless you are in school or they are in deferment or forbearance
- Service members with Student Loan Repayment (SLRP) in their contracts must maintain their student loans in good standing

Technology Talking Points

- **Why use technology?**
 - Direct deposit and/or mobile deposit
 - May track expenses for you
 - Convenience
 - Simplify money management
 - Monitor account activity
 - Set up alerts
 - Transfer funds
 - Easy access to statements
- **Technology makes it easier for service members and their families to keep track of their finances while they are geographically separated**

Technology Talking Points

- **myPay**

- The Department of Defense's online payroll and accounting system
- View Leave and Earnings Statement
- Change direct deposit, withholdings or allotments
- Manage Thrift Savings Plan Contributions
- A variety of other items

Technology Talking Points

- Apps
- Online Banking
 - Bill pay
 - Funds transfers
 - Automated savings
 - Setting up spending plan and limits

Identity Theft Talking Points

- According to the FTC military families report identity theft at twice the rate of civilians
- Although the military is shifting away from this practice Social Security numbers have been used extensively to identify personnel
- There have been numerous breaches and data spills including DoD and Tricare
- Abuse of power of attorney

Identity Theft Talking Points

- Service members and spouses need to check their credit reports regularly
- Security clearances can be affected by identity theft and put service members' jobs in jeopardy

Military Financial Talking Points

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