

2021 TAP CURRICULUM

# FINANCIAL PLANNING FOR TRANSITION

## TABLE OF CONTENTS

<b>FINANCIAL PLANNING FOR TRANSITION.....</b>	<b>1</b>
<b>FINANCIAL GOALS .....</b>	<b>2</b>
<b>INCOME .....</b>	<b>6</b>
<b>EXPENSES.....</b>	<b>20</b>
<b>DEBT .....</b>	<b>38</b>
<b>ASSETS .....</b>	<b>52</b>
<b>ACTION PLAN.....</b>	<b>65</b>
<b>TRANSITION ASSISTANCE PROGRAM PARTICIPANT ASSESSMENT</b>	<b>77</b>
<b>APPENDIX.....</b>	<b>78</b>
<b>WEBSITE GUIDE .....</b>	<b>80</b>
<b>CHOOSING A FINANCIAL PROFESSIONAL .....</b>	<b>83</b>
<b>HOW TO SPOT FRAUDS AND SCAMS.....</b>	<b>85</b>
<b>SPEND PLAN .....</b>	<b>87</b>

# FINANCIAL PLANNING FOR TRANSITION

**Disclaimer:**

*The information provided herein does not constitute a formal endorsement of any company, its products, or services by the Department of Defense. Specifically, the appearance of external hyperlinks does not constitute endorsement by the U.S. Department of Defense of the linked websites, or the information, products, or services contained therein. The U.S. Department of Defense does not exercise any editorial control over the information you may find at these locations. This module provides informational resource material to assist military personnel and their families, in identifying or exploring valuable resources and options.*

## MODULE COMPETENCY

*Identify changes and plan for the impact that transitioning from the Service will have on personal finances.*

This transition module is designed to help you understand your current financial situation by using what you have learned from previous financial readiness courses that you have attended throughout your military life cycle. The knowledge from those courses and the content covered in the Financial Planning for Transition will enable you to complete the career readiness standard associated with this module.

During this course, you will develop a spend plan and gain an understanding of how transition will impact your financial situation through discussion of income, debt, expenses, and assets. Within each of these topics are subtopics to encourage awareness of changes, which will affect your financial situation during transition. As each section is discussed, you are encouraged to add the pertinent information to the spend plan to create a complete financial picture for now and for the future. At the end of this course, you should understand how transition can affect your finances, what to expect financially as you transition, and know the income required to maintain your current lifestyle.

Download the fillable PDF version of the Financial Planning for Transition Participant Guide at <https://www.dvidshub.net/DoDTAP> (scroll down to Recent Publications).

# FINANCIAL GOALS

## COMPETENCY

*Formulate short-term and long-term financial goals based on your understanding of your current financial situation.*

## LEARNING OBJECTIVE

- Define short-, medium-, and long-term financial goals
- Determine your short-, medium-, and long-term financial goal(s)

## FINANCIAL GOALS

### **What is a financial goal?**

A financial goal is an objective that is based in the financial arena. These goals can be further defined with timed objectives to create short-, medium-, or long-term goals.

An important part of a financial goal is the length of time in which you expect to achieve this goal. There are three basic timelines:

- Short-term: 1 month to 1 year
- Medium-term: 1 to 5 years
- Long-term: 5 to 10 years

When setting goals, it is important to be SMART:



- **SPECIFIC:** State the goal in terms that are clear; stating a desire to be rich is undefined and vague.
- **MEASURABLE:** Have a clear definition of success so you will know when you have reached your goal and are able to celebrate (e.g. to have credit card debt below \$500).
- **ACHIEVEABLE:** Be sure you can attain the goal, but set one that shows an improvement over your current situation; having a million dollars in the bank after one week is not attainable by most standards and situations.
- **REALISTIC:** Is the goal realistic, based on your situation? It may be achievable to save \$1,000 a month when you make \$2,000 a month, but is it realistic based on your life situation?
- **TIME-BOUND:** Goals need to have a specific time limit in which to achieve the goal; add days, weeks, months, years.

Examples of financial goal statements:

- Decrease credit card debt by \$9,000 within the next 18 months
- Build an emergency fund of up to \$10,000 within 2 years
- Pay off student loan debt early by increasing payment amount by \$200 each month
- Save for a house down payment by automatically transferring 10% of each paycheck into a separate account
- Increase individual retirement account (IRA) by 10% each month until the amount will allow me to reach the IRS maximum
- Increase savings to equal 2 to 3 months of my monthly expenses to cover the gap in income during my transition period



**ACTIVITY:** Financial Goals for Transition

**DIRECTIONS:** Write three SMART financial goals in the box below. A spend plan is provided in the Appendix; goals is located on page 86:

- One short, one medium, and one long-term financial goal

**FINANCIAL GOALS**

1.	
2.	
3.	
NOTES:	

**SPEND PLAN**

You may be thinking, “Why are we devoting time to develop a spend plan? Haven’t we done this before? This is supposed to be about transition” ...and it is. Focus on the following questions:

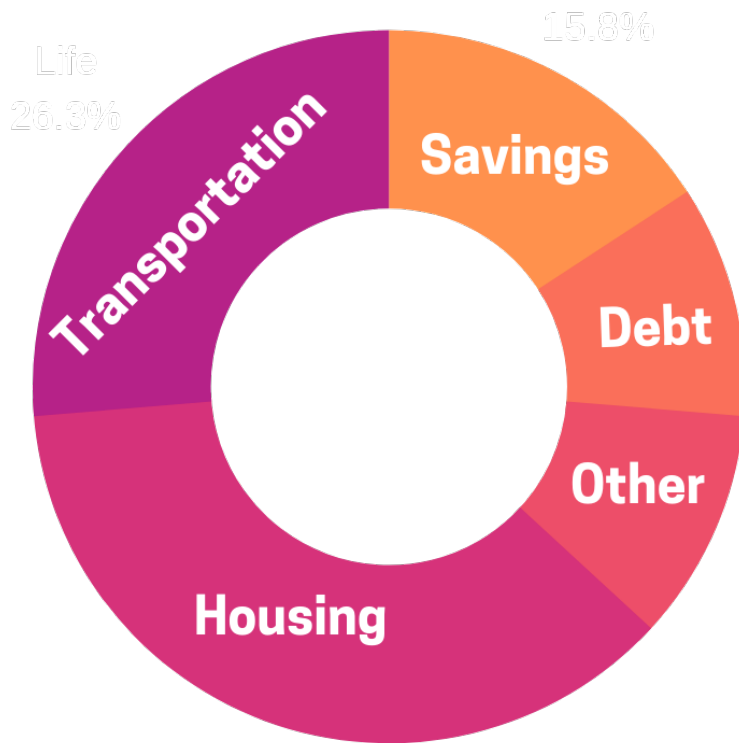
- Where you are now?
- Where should you be?
- And can you get there from here?

The goals established during initial counseling can have a financial impact during transition.

- Employment: It may take a few months to find a job that will cover your living expenses and even after obtaining the job, there may still be a 2-4 week lag between starting and receiving the first paycheck.
- Education, Vocational: Even if using Veterans Affairs’ (VA) education benefits to help pay for tuition, housing and books, you may still need additional funds to cover expenses like insurance, transportation or housing until the stipend is available.
- Entrepreneurship: When starting your own business, it could take some time to realize a profit.

The spend plan is a tool to help you understand your current financial situation and to build a financial plan to meet your transition goals.

Developing a spend plan should not be a new experience. This is something that should have been created during one of the many personal financial courses, but it may have been a while since you reviewed it. For the next few hours, you will work with tools that can help you understand the changes transition may have on your financial situation.



Why a  
Spend  
plan?

# INCOME

## COMPETENCY

*Evaluate current financial and salary information in order to determine salary requirements after transition.*

## LEARNING OBJECTIVES

- Determine current military salary with compensation
- Compare current military salary to civilian equivalent to predict future salary requirements
- Determine changes in taxes based on future salary requirement and location

## INCOME

Review of the common terms used when discussing income:

- **Gross Income:** Wages (pay and allowances) *before* any deductions (taxes, Social Security, insurance premiums, retirement plan contributions, etc.)
- **Net Income:** Wages after any deductions (taxes, Social Security, insurance premiums, retirement plan contributions, etc.) the amount deposited into your bank account

For example, the Leave and Earning Statement (LES) or PaySlip (for USCG) shows an income of \$2,000 per month (gross income) but the amount deposited into your bank account is only \$1,500 per month (net income).





Most of you are probably aware and understand how to read your LES or PaySlip. As you develop or update a spend plan, your LES or PaySlip becomes the most important source of payroll information you have. For this section, the most important section is the entitlements for LES and earnings for PaySlip.

This includes the amounts of money you receive in your paycheck, such as base pay, Basic Allowance for Subsistence (BAS), Basic Allowance for Housing (BAH), Dive Pay, Fly Pay, Cost of Living Allowance (COLA)—what is important to remember is that only SOME of these entitlements are taxable.

DFAS Form 702, Jan 02																			
ID	NAME (LAST, FIRST, MI)						SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED					
ENTITLEMENTS						DEDUCTIONS						ALLOTMENTS						SUMMARY	
TYPE		AMOUNT				TYPE		AMOUNT				TYPE		AMOUNT					
A	X00X	\$S				X00X	\$S				X00X	\$S				+TOT ENT	\$S		
B																-TOT DED	\$S		
C																-TOT ALMT	\$S		
D																=NET AMT	\$S		
E																-CR FWD	\$S		
F																=EOM PAY			
G																	\$S		
H																			
I																			
J																			
K																			
L																			
M																			
N																			
O																			
TOTAL		\$S						\$S						\$S				DIEMS	RET PLAN
LEAVE		BF BAL	ERNI	USED	CR BAL	ETS BAL	LV LOST	LV PAID	USE/LOSE	FED TAXES	WAGE PERIOD	WAGE YTD	M/S	EX	ADD'L TAX	TAX YTD			
<del>PAID</del>		#	#	#	#	#	#	#	#	#	\$S	\$S	X	##	\$S	\$S			
<del>WAGE PERIOD</del>		M/TD		MED WAGE YTD		MED TAX YTD		STATE TAXES		ST XX	WAGE PERIOD	WAGE YTD	M/S X	EX ##	TAX YTD \$S				
PAY DATA	BAQ TYPE	BAQ DEPN	VHA ZIP	RENT AMT	SHARE	STAT	JFTR	DEPNS	2D JFTR	BAS TYPE	CHARITY YTD	TPC	PACIDN XXX						
X		#	####	\$S	#	X	X000XX	#		X	\$								
TRAD TSP	BASE PAY RATE %	BASE PAY CURRENT \$S		SPEC PAY RATE %	SPEC PAY CURRENT \$S		INC PAY RATE %		INC PAY CURRENT \$S		BONUS PAY RATE %		BONUS PAY CURRENT \$S						
ROTH TSP	%	\$S		%	\$S		% \$S		\$S		% \$S		\$S						
CM AGCY CONTR	AGCY-AUTO \$S	AGCY-MATCH \$S																	
CONTRIBUTION TOTALS		YTD DEDUCTIONS \$S		YTD TSP DEFERRED \$S		YTD TSP EXEMPT \$S		YTD ROTH \$S		YTD TSP AGCY-AUTO \$S		YTD TSP AGCY-MATCH \$S							
REMARKS		YTD ENTITLE \$S		YTD DEDUCT \$S															

## Coast Guard PaySlip

U.S. Department of Homeland Security U.S. Coast Guard CG-5209-ACT (Rev 01/2015)		United States Coast Guard / NOAA / PHS Active and Reserve Statement of Semi-Monthly Income																
COMMANDING OFFICER (CCB) COAST GUARD PPC 444 SE QUINCY ST TOPEKA, KS 66683-3591 PHONE 1-866-772-8724		Pay Group: USCG Active Duty Pay Begin Date: 2018-01-16 Pay End Date: 2018-01-31	Member DOB: 1970-08-12 Spouse DOB: 1971-08-09 Youngest Child DOB: N/A															
Lawrence Fishburn 111 SE Quincy Street Topeka KS 66683	Employee ID: 1234567 Rank: PERS3 Pay Grade: W3 Department: PPC CUSTOMER SVC DIV Retirement Plan: Legacy	<table border="1"> <thead> <tr> <th>TAX DATA:</th> <th>Federal</th> <th>TX State</th> </tr> </thead> <tbody> <tr> <td>Marital Status:</td> <td>Married</td> <td>N</td> </tr> <tr> <td>Allowances:</td> <td>2</td> <td>0</td> </tr> <tr> <td>Addl. Percent:</td> <td>0</td> <td>0</td> </tr> <tr> <td>Addl. Amount:</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		TAX DATA:	Federal	TX State	Marital Status:	Married	N	Allowances:	2	0	Addl. Percent:	0	0	Addl. Amount:	0	0
TAX DATA:	Federal	TX State																
Marital Status:	Married	N																
Allowances:	2	0																
Addl. Percent:	0	0																
Addl. Amount:	0	0																

EARNINGS		TAXES		
Description	Current	Description	Current	YTD
BAH WITH DEP	732.00	FICA	262.40	524.80
BAS - OFF	127.19	FITW	309.22	618.44
BASIC PAY	3430.05			
<b>TOTAL:</b>	<b>4289.24</b>	<b>TOTAL:</b>	<b>571.62</b>	<b>1143.24</b>

DEDUCTIONS		ALLOTMENTS	
Description	Current	Description	Current
AFRH	0.25	CG ASSOC	3.50
FSGLI 10	6.50	MA DONATION	5.00
SGLI 8	14.00		
TRICARE DEP	5.55		
TSGLI	0.50		
TSP LOAN	132.88		
TSP TRAD-BASIC	411.61		
<b>TOTAL:</b>	<b>571.29</b>	<b>TOTAL:</b>	<b>8.50</b>

	OASDI WAGES	MEDICARE WAGES	FED TAXABLE GROSS	STATE TAXABLE GROSS	NET PAY
Current	3430.05	3430.05	3018.44	0.00	3137.83
YTD	6860.10	6860.10	6036.88	0.00	6275.67

LEAVE SUMMARY		NET PAY DISTRIBUTION		
Begin Regular Leave Balance	66.5	Account Type	Account Number	Deposit Amount
+ Regular Leave Earned	2.5	Checking	*****7398	3137.83
- Regular Leave Used	1.0			
• Regular Leave Lost	0.0			
• Regular Leave Sold	0.0			
End Regular Leave Balance	68.0			
End Reserve Leave Balance	0.0			
End Combat Exempt Balance	0.0			
End Special Leave Carryover Balance	0.0			
Regular Leave Sold (Career-to-date)	30.0			
<b>TOTAL:</b>				<b>3137.83</b>

As you review your LES/PaySlip, realize that income is any source that provides a regular supply of money, such as employment, investments, pension, etc. For a spend plan, it is important to consider these additional sources of income. If married, does your spouse have an income? Do you have a second job? Are you receiving income from investments? Do you receive child support or alimony? All sources of income need to be included in the spend plan.

## SPEND PLAN UPDATE - INCOME



Now is the time to review the income section of the spend plan. Follow the directions provided by your facilitator and fill in the appropriate areas of the spend plan.

Include:

- Income from LES or PaySlip to include all entitlements
- Spouse income
- Income from additional sources

## CIVILIAN SALARY EQUIVALENT

Now that you know your current income, we can determine the civilian equivalent based on your current salary in the military.

One way to determine your civilian equivalent is to use the Regular Military Compensation (RMC) calculator.

<http://militarypay.defense.gov/Calculators/RMC-Calculator/>

The screenshot shows the 'MILITARY COMPENSATION' website. The header includes the Department of Defense seal and a search bar. The navigation menu has links for HOME, ABOUT, BLENDED RETIREMENT, PAY, CALCULATORS, BENEFITS, and REFERENCES. The breadcrumb trail reads 'HOME > CALCULATORS > RMC CALCULATOR'. The main heading is 'Regular Military Compensation (RMC) Calculator'. The text explains that RMC is the sum of basic pay, average basic allowance for housing, basic allowance for subsistence, and the federal income tax advantage that accrues because the allowances are not subject to federal income tax. It states that RMC represents a basic level of compensation which every service member receives, directly or indirectly, in-cash or in-kind, and which is common to all military personnel based on their pay grade, years of service, and family size. It further states that this calculator will compute your regular military compensation based on your inputs and that regular military compensation is the approximate amount of an equivalent civilian salary. A note mentions that the information requested is necessary to determine cash salary elements and estimate the marginal Federal tax bracket, and that no identifying data is requested or retained by the site. At the bottom, there is a section titled 'RMC Calculator' with a horizontal line indicating the start of the input fields.

**SCENARIOS:** Two scenarios are included throughout the guide as examples for use of some of the websites. Scenario 1 uses an E-4, separating after 4 years and Scenario 2 uses an O-5, retiring after 20 years.

## SCENARIO 1: RMC CALCULATOR

Mr. Hardy, E-4, single, living in Washington, D.C., with 4 years of Service. His annual basic pay is \$31,615, adding in BAH and BAS brings his full compensation to \$59,019.

RMC Calculator	
Grade	<input type="text" value="E-4"/>
Years of Service	<input type="text" value="4"/>
Tax Filing Status	<input type="text" value="Single"/>
Family Size, Including Yourself	<input type="text" value="1"/>
Living OCONUS or Not Receiving BAH	<input type="radio"/> Yes <input checked="" type="radio"/> No
ZIP Code of your Permanent Duty Station	<input type="text" value="20002"/>
<input type="button" value="Calculate RMC"/>	

Note: Final display of your results may take a few moments while the browser processes your selected tax data. Results will appear below when complete.

Grade	E-4
Years of Service	4
Tax Filing Status	Single
Living OCONUS or Not Receiving BAH?	false
Living OCONUS?	N/A
ZIP Code of your Permanent Duty Station	20002
Annual Basic Pay	\$31,615.20
Annual Basic Allowance for Housing	\$22,932.00
Annual Basic Allowance for Subsistence	\$4,472.52
Non-Taxable Allowances (BAH + BAS)	\$27,404.52
Number of Exemptions for Previous Calendar Year	1
Personal Exemption Amount	\$0.00
Standard Deduction	\$12,400.00
Total Deductions	\$12,400.00
Taxable Income (Annual Basic Pay - Total Deductions)	\$19,215.20
Tax Rate	12%
Gross Up	\$31,141.50
Tax Advantage	\$3,736.98

Total Regular Military Compensation (RMC): \$62,756.70

The calculator shows Mr. Hardy will need a salary of \$62,756 to meet current financial obligations and maintain his current lifestyle in Washington, D.C.

## SCENARIO 2: RMC CALCULATOR

Ms. Smith is a retiring O-5, married with two children and lives in San Antonio, TX. Her base pay is approximately \$114,361; total compensation with BAH and BAS is approximately \$143,541.

RMC Calculator	
Grade	O-5 ▼
Years of Service	20 ▼
Tax Filing Status	Married Filing Jointly ▼
Family Size, Including Yourself	4
Living OCONUS or Not Receiving BAH	<input type="radio"/> Yes <input checked="" type="radio"/> No
ZIP Code of your Permanent Duty Station	78150
<button>Calculate RMC</button>	

Note: Final display of your results may take a few moments while the browser processes your selected tax data. Results will appear below when complete.

Grade	O-5
Years of Service	20
Tax Filing Status	Married Filing Jointly
Living OCONUS or Not Receiving BAH?	false
Living OCONUS?	N/A
ZIP Code of your Permanent Duty Station	78150
Annual Basic Pay	\$114,361.20
Annual Basic Allowance for Housing	\$26,100.00
Annual Basic Allowance for Subsistence	\$3,080.16
Non-Taxable Allowances (BAH + BAS)	\$29,180.16
Number of Exemptions for Previous Calendar Year	4
Personal Exemption Amount	\$0.00
Standard Deduction	\$24,800.00
Total Deductions	\$24,800.00
Taxable Income (Annual Basic Pay - Total Deductions)	\$89,561.20
Tax Rate	22%
Gross Up	\$37,410.46
Tax Advantage	\$8,230.30

Total Regular Military Compensation (RMC): \$151,771.66

The calculator shows Ms. Smith will need a salary of \$151,771 to meet current financial obligations and maintain the family's current lifestyle in San Antonio, TX.



**WEBSITE ACTIVITY:** Determine the CIVILIAN SALARY EQUIVALENT

**DIRECTIONS:** Use the RMC Calculator below to determine the civilian salary equivalent based on your current location:

<http://militarypay.defense.gov/Calculators/RMC-Calculator/>

1. Provide the information requested on the RMC Calculator
  - Rate/rank (when transition occurs)
  - Years of Service
  - Tax filing status (single, married filing jointly, married filing separately, head of household)
  - Family size (type 1, if it is only you)
  - Living OCONUS or Not Receiving BAH
  - ZIP code of where you are currently living or where you plan to relocate
2. Click **CALCULATE RMC**
3. Write the amount in the box below or in the spend plan
4. Repeat using a second location
5. Provide additional notes as needed

#### CIVILIAN SALARY EQUIVALENT

Current Location (zip code)	
Civilian Salary Equivalent	
Possible Second Location (zip code)	
Civilian Salary Equivalent	
NOTES:	

## SALARY DIFFERENCE

The numbers presented by the RMC Calculator may seem to be an overly inflated number, but this is the reality of taxable versus non-taxable income.

Many of your entitlements, which are non-taxable in the military, such as BAH and BAS, will be taxed as income in the civilian sector. Therefore, to find a civilian equivalent, the non-taxable entitlements must be included in the income and an additional amount to account for the taxes on the previously non-taxable income should be included as well.

## FEDERAL, STATE AND LOCAL TAXES

Due to the non-taxable now being taxable, understanding your taxes is one of the most important changes to understand as you transition.

Understanding what was taxable during your military Service and what is taxable after you transition is an important first step. Within the military pay system, items generally labeled “pay” are taxable, but there are some exceptions to that rule. Using your LES or PaySlip, determine which entitlements are non-taxable and list them in the boxes below. Take a moment to estimate the total amount of your non-taxable income.

Non-Taxable

This amount of non-taxable income will need to be calculated into your civilian income, which will now be considered taxable. This helps to explain why the calculations for civilian income are higher than current income to offset an increase in taxable income. To sum it up, you will need to make more in the civilian sector than you did in the military in order to maintain your current lifestyle.

## UNDERSTANDING HOW TAXES AFFECT YOUR INCOME

The following are additional changes that you need to prepare for post-transition:

- **Paying State Income Tax:** You may not have been paying state income tax while in the military depending on the state you listed as your home of record (such as Florida or New Hampshire); however, as a civilian, you may start paying an income tax depending on your location.
- **All Income is Taxable:** As previously discussed, not all military compensation is taxable. When working in the civilian sector, ALL your civilian salary will be taxed at both the federal and state levels. In some areas, county and city taxes may also be assessed on your income.
- **No Automatic Extensions:** You will no longer receive an automatic extension on the April 15 tax filing deadline, unless you specifically request it.
- **Property Taxes:** You may have been exempt from certain property taxes or received a discounted rate for vehicle registration while you were serving. As a Veteran, these exemptions or discounts may no longer apply and you will now be responsible for paying the full amount. However, some locations offer discounts or waivers for Veterans or military retirees, be sure to check.

To understand the tax for a location and salary amount, use the following website:

<https://smartasset.com/taxes/income-taxes>

*The use of this website does not constitute an endorsement by DoD, any of its partners or associated websites. This website is for research purposes only and is not intended to provide tax advice or a tax bill.*

To ensure a complete understanding, let's review the new tax liability that Mr. Hardy and Ms. Smith can expect in their new locations.



## SCENARIO 1: TAXES WHEN SEPARATING

Mr. Hardy: Estimated civilian equivalent — \$63,000

Household Income \$ 63,000	Location 20002	Filing Status Single
-------------------------------	-------------------	-------------------------

Advanced ▾

**Your 2019 Federal Income Tax Plus FICA : \$11,855**

### Your Income Taxes Breakdown

Tax Type	Marginal Tax Rate	Effective Tax Rate	2019 Taxes*
Federal	22.00%	11.17%	\$7,035
FICA	7.65%	7.65%	\$4,820
State	6.50%	4.61%	\$2,902
Local	0.00%	0.00%	\$0
<b>Total Income Taxes</b>		<b>23.42%</b>	<b>\$14,756</b>
Income After Taxes			\$48,244
Retirement Contributions			\$0
<b>Take-Home Pay</b>			<b>\$48,244</b>

\* These are the taxes owed for the 2019 - 2020 filing season.

## SEPARATION TAX CALCULATIONS



**WEBSITE ACTIVITY:** Determine your taxes after transition

**DIRECTIONS:** Find the three tax amounts using:

<https://smartasset.com/taxes/income-taxes>

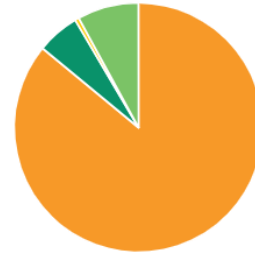
1. Enter your Civilian Salary Equivalent as the Household Income
2. Enter a location
3. Indicate Filing Status
4. Choose a secondary location
5. Write the information in the space provided below
6. Provide additional notes as needed

## TAXES FOR CIVILIAN SALARY EQUIVALENT – when separating

### Total Estimated 2019 Tax Burden

Income Tax	\$14,756
Sales Tax	\$971
Fuel Tax	\$91
Property Tax	\$1,389
<b>Total Estimated Tax Burden</b>	<b>\$17,207</b>

\$17,207



Percent of income to taxes = 28%

Civilian Salary Equivalent	
1 <sup>st</sup> Location (city, state, zip)	
1 <sup>st</sup> Location - Taxes based on civilian salary equivalent	
2 <sup>nd</sup> Location (city, state, zip)	
2 <sup>nd</sup> Location - Taxes based on civilian salary equivalent	
NOTES:	

## SCENARIO 2: TAXES WHEN RETIRING

Ms. Smith: Estimated civilian equivalent—\$152,000

For retirement, Ms. Smith needs to include estimated retirement pay. Using [militarypay.defense.gov](https://militarypay.defense.gov) to estimate retirement pay at \$55,000—leaving a **gap** of \$97,000 between the retirement pay and the civilian salary equivalent of \$152K.

<https://smartasset.com/retirement/retirement-taxes>

Annual Social Security Income \$ 0	Annual Retirement Account Income \$ 55,000	Annual Wages \$ 97,000
Location 78150	Year of Birth 1973	Filing Status Married
<a href="#">Add Pension</a>		

You will pay **\$0** of Texas state taxes on your pre-tax income of **\$152,000**

### Your Tax Breakdown

Federal	\$26,936
State	\$0
Local	\$0
Total Taxes	\$26,936



### Quick Guide to Texas Retirement Income Taxes

Texas is <b>tax-friendly</b> toward retirees.
Social Security Income is <b>not</b> taxed.
Withdrawals from retirement accounts are <b>not</b> taxed.
Wages are taxed at normal rates, and your marginal state tax rate is <b>0.0%</b> .
Public and private pension income are <b>not</b> taxed.

## RETIREMENT TAX CALCULATIONS



**WEBSITE ACTIVITY:** Determine your taxes with retirement pay.  
(Calculating taxes as a retiree requires you to first determine your pre-tax retirement pay.)

### **DIRECTIONS:**

1. Estimate **pre-tax** retirement pay using  
<http://militarypay.defense.gov/Calculators/High-3-Calculator/>
2. Follow the directions on the website
  - a. Active or Reserve
  - b. Personal Information (must first add year to Pay Entry before month)
  - c. Retirement Information
  - d. Career Progression
  - e. Roll over the first full High-3 Pension bar to see the yearly amount
3. GO TO: <https://smartasset.com/retirement/retirement-taxes>
4. Choose the state where you wish to retire
5. Complete the following information:
  - Annual Social Security Income = \$0 (if not drawing Social Security)
  - Annual Retirement Account Income = military retirement (DO NOT put in Pension)
  - Annual wages = amount needed to close the gap between retirement pay and civilian salary equivalent
  - Location = zip code
  - Year of birth
  - Filing Status
6. Choose a secondary location
7. Write the information in the space provided
8. Provide additional notes as needed

## TAXES FOR RETIREMENT

Civilian Salary Equivalent	
Retirement Pay	
Annual Salary needed to fill the gap between retirement pay and civilian salary equivalent	
1 <sup>st</sup> Location for Retirement (city, state, zip)	
1 <sup>st</sup> Location Tax Amount	
2 <sup>nd</sup> Location for Retirement (city, state, zip)	
2 <sup>nd</sup> Location Tax Amount	
NOTES:	

## IRS WITHHOLDING

The amount of taxes withheld throughout the year is another aspect of taxes, which will need to be reevaluated after transition and before you start a new job.

This can be done using the website <https://www.irs.gov/individuals/tax-withholding-estimator>. It is recommended you make an appointment with a personal financial manager or counselor on the installation to discuss the IRS withholding calculator to ensure proper use.

## WRAP UP QUESTIONS

- What is the difference between Gross and Net income?
- Why is the civilian equivalent salary higher than the military pay?
- What may change about the tax liability? Federal? State? Local?

# EXPENSES

## COMPETENCY

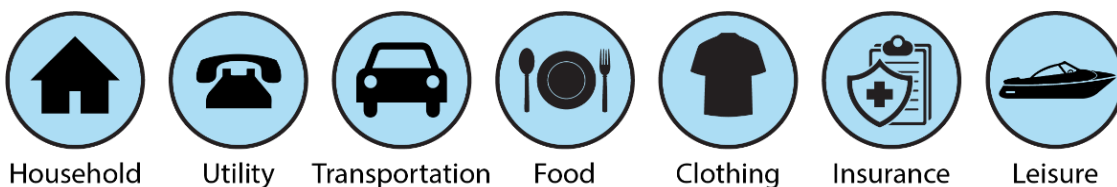
*Evaluate current expenses and compare to expenses that will change and affect your income after transition.*

## LEARNING OBJECTIVES

- Create a list of current expenses
- Compare cost of living at current and 2<sup>nd</sup> location
- Describe the basics of health insurance
- Specify the basics of life insurance

## LIVING EXPENSES

Expenses are the daily, weekly, and monthly items you pay in order to live – groceries, utilities, clothing, childcare, entertainment, etc. This includes ALL items where cash, debit, credit, or any other method of payment is used to make a purchase. This does not include debt payments, which will be discussed in the next section.



**Types of Expenses**

## TRACKING EXPENSES

Fixed expenses include car payment, internet, cable, phone, and insurance. These expenses are easy to track because they tend not to change from month to month; they are predictable. There are also variable expenses that change depending upon the time of year; electricity may be more expensive during the summer when you use the air conditioner. This group of expenses may vary within an expected range.

Living expenses may use most of your income, but careless spending can leave you wondering where your money went. For example, you may have budgeted to spend \$175 on dining out, but at the end of the month, you actually spend \$500. This category, commonly referred to as leisure, consists of expenses covered through disposable income. These include items such as eating out, going to the movies, in-app purchases, stopping by the coffee shop, or vending machine.

It is this area where you can easily lose track of where the money is spent. Below are two common examples of where this type of expense quickly adds up.

A \$5 latte x 5 days per week x 4 weeks = \$100 per month

A \$10 lunch x 5 days per week x 4 weeks = \$200 per month

As you prepare for transition, it may be a good idea to ensure you are aware of your spending habits. Consider tracking your expenses for a few weeks or a month to determine how much is spent on these seemingly inexpensive items.

There are many ways to track your expenses; use what works best for you.

- Use a free app to track spending; many can be found in the app store on your mobile device or tablet
- Keep a small notebook with you to record every purchase (cash/credit/debit)
- Keep receipts from every purchase and total them up at the end of the week
- Create your own log using computer software such as Excel or Word

How you track is not as important as the tracking itself. However you choose to track your spending, be sure to write down **all** purchases.

## SPEND PLAN UPDATE - EXPENSES

Now is the time to review the EXPENSES section of the spend plan. Follow the directions provided by your facilitator and fill in the appropriate areas of the spend plan. *Note: Rent/Mortgage is under debt.*



- Estimate utilities
- Estimate grocery expenses
- Personal grooming
- Other expenses

## CHANGES TO EXPENSES AFTER TRANSITION

As you transition, many things will change including your current expenses. How will transition impact your expenses?

- Will your expenses decrease?
- Will your expenses increase?
- Will there be new types of expenses?

Depending on where you live, expenses for groceries, gas, utilities, and housing may decrease. Especially if you are moving to an area with a lower cost of living or moving in with family, friends, or roommates. However, the opposite can also be true that these same expenses may increase if you are living in the barracks and now have to find a place to live or are moving to an area with a higher cost of living.

Take the time to think through what may be a new or unexpected expense; these expenses can easily turn into debt. Keep in mind your income *may* decline for a short period of time. It is important to consider the cost of living if you are seeking to relocate after transition.



## EXPENSE OF RELOCATION

After transition, you may still have one move provided by the military. Visit your transportation office to ensure you are aware of all requirements pertaining to your final move, such as deadlines or how to request an extension. Even if the military pays for your final move, there are still expenses associated with relocation that should be considered.

## CHANGES TO COST OF LIVING

If you are seeking to relocate after transition, it is important to understand the financial impact this may have on your salary needs and expectations. Some factors to consider include:

- Salary
- Housing
- Utilities
- Taxes (including tax benefits for Veterans)
- Food, childcare, commuting costs, clothing, entertainment, school costs, climate, health insurance

To understand the extent of the differences in cost of living and the impact this will have on your salary requirements, there are a few different websites to use:

- <http://www.bestplaces.net/cost-of-living>
- <https://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx>
- <https://money.cnn.com/calculator/pf/cost-of-living/index.html>
- <https://www.payscale.com/cost-of-living-calculator>
- <https://www.expatistan.com/cost-of-living>

## SCENARIO 1: COST OF LIVING COMPARISON

Mr. Hardy, upon learning salary requirements in Washington, D.C., decided to look at other locations. He has family in Raleigh, NC, which is a larger city where he should be able to get a job. How much would he need to make, and what is the difference in the cost of living in NC compared to Washington, D.C.?

Using BankRate.com, Mr. Hardy found the following:

<p>City you are moving from</p> <p><b>Washington-Arlington-Alexandria</b></p> <p>City you are moving to</p> <p><b>Raleigh NC Metro</b></p> <p>Your current income</p> <p><b>\$63,000</b></p> <p><b>REFRESH LISTING</b></p>	<p><b>Your results</b></p> <p>To maintain your current standard of living in <b>Raleigh NC Metro</b>, you need to earn:</p> <p><b>\$ 38,838.56</b></p> <p>The cost of living is <b>38.35%</b> lower in Raleigh NC Metro.</p>
--	--

Most of his expenses would go down, as would his salary requirements, which is what would be expected when moving out of Washington, D.C.

## SCENARIO 2: COST OF LIVING COMPARISON

Ms. Smith and her family are seeking to move to a location where her retirement pay will not be taxed; something that was not a consideration for Mr. Hardy. Ms. Smith has been interviewing with a company in Boston, MA. What salary range would Ms. Smith need to request to be equivalent to her current salary with all the compensations?

According to BankRate.com, Ms. Smith found the following:

<p>City you are moving from</p> <p><b>San Antonio-New Braunfels TX Met</b></p> <p>City you are moving to</p> <p><b>Boston MA Metro Div.</b></p> <p>Your current income</p> <p><b>\$152,000</b></p> <p><b>REFRESH LISTING</b></p>	<p><b>Your results</b></p> <p>To maintain your current standard of living in <b>Boston MA Metro Div.</b>, you need to earn:</p> <p><b>\$ 251,243.99</b></p> <p>The cost of living is <b>65.29%</b> higher in Boston MA Metro Div..</p>
--	--

Ms. Smith's income will need to be significantly higher than her current income to adjust for the cost of living in Boston.

(NOTE: the cost of living in Boston is calculated for living in the city, cost of living in the outer areas would be less expensive.)

These are not the only considerations to be made when viewing cost-of-living information. The information provided by any of the cost-of-living calculator websites is incomplete and many have differing numbers. Take time to research the area before determining if a particular location will fit your personal and financial needs after transition.



**WEBSITE ACTIVITY:** Determine the COST OF LIVING for a new location after transition

**DIRECTIONS:** Using the BankRate.com website

(<http://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx>) or a different cost-of-living calculator, find the location based salary equivalent:

1. Write your new location in the box provided
2. Determine your new salary based on location and using civilian salary equivalent
3. Write the amount in the box below
4. Determine a secondary location and repeat the calculations
5. Review housing adjustment. Is it higher or lower than your current housing price?
6. Provide additional notes as needed

## LIVING WAGE

In addition to the cost of living, another useful comparison when considering a new location is the hourly living wage. This calculation will provide the hourly rate that an individual must earn to support their family at this location. Knowing the living wage for an area provides context for the cost of living, and for understanding how your proposed salary will compare to the living wage in a new location.



**WEBSITE ACTIVITY:** Determine the LIVING WAGE in a new location after transition

**DIRECTIONS:** Use the Living Wage Calculator

(<http://livingwage.mit.edu>) or a different living wage calculator, to locate the hourly living wage for you new location.

1. Choose a state, city, or metro area
2. Review the different situations and determine the hourly living wage based on your family situation
3. Write the amount in the box below
4. Repeat for the secondary location

# COST OF LIVING AND LIVING WAGE

1 <sup>st</sup> Location (city, state)	
Salary adjustment for location	
Housing difference for location	
Hourly Living Wage	
2 <sup>nd</sup> Location (city, state)	
Salary adjustment for location	
Housing difference for location	
Hourly Living Wage	
NOTES:	

## HEALTH CARE

Healthcare and health insurance could be considered two of the best benefits provided by the military. While in the Service, you most likely used TRICARE for your healthcare needs. While using TRICARE, you may have become accustomed to having your health/medical benefits completely covered, with little to no out-of-pocket-expenses. There was no need to worry about the cost of medicines, co-pays or if the doctor is in your network.

However, decisions about healthcare and health insurance are very important and should be considered carefully. Most importantly, you will be required to have healthcare insurance after transition; even with insurance, you will still have medical expenses. Be prepared, know your options, and make informed decisions.

As part of transitioning for your health care, be sure you have received a complete copy of your medical records prior to transition. These records will be necessary for continuity of care to a new medical provider or when applying for disability. The VA will provide further information on obtaining your medical records during the VA Benefits and Services brief.

## IMMEDIATELY AFTER TRANSITION

Health insurance is different for separatees and retirees. If retiring, you have 90 days to sign up for TRICARE Prime, TRICARE Select, TRICARE for Life and other available TRICARE options from your date of retirement or there may be penalties. If you plan to use a Military Treatment Facility (MTF) after retirement for health care needs, it is important to note that not all MTF have availability to receive Retired Service members and eligible family members. Check directly with TRICARE to find out what services are available in the area you plan to live.

Depending on your type of separation and if you meet eligibility requirements, you **may** qualify for transition healthcare insurance. Transition Assistance Management Program (TAMP) offers the same coverage available under TRICARE but is only available for 180 days after your date of separation. For those who do not qualify for TAMP, TRICARE offers Continued Health Care Benefit Program (CHCBP), which can offer coverage for up to 18 months upon separation from Service. There is a quarterly premium, co-pay, and deductible associated with CHCBP. You must purchase the CHCBP within 60 days of loss of TRICARE eligibility.

A helpful website to determine the TRICARE plan you may be eligible for is <https://tricare.mil/Plans/PlanFinder>.

For more information, to determine eligibility, or to apply for TAMP, CHCBP, or TRICARE for Life, go to [www.tricare.mil](http://www.tricare.mil). More information is provided during the VA Benefits and Services brief.

For members of the National Guard and Reserve, the eligibility requirements are different. Visit [www.tricare.mil](http://www.tricare.mil) for more detailed eligibility information.

## THINGS TO KNOW BEFORE YOU CHOOSE YOUR PLAN

When choosing a plan, it is good to know the basics.

- Individual vs. Group Insurance
- Basic healthcare terminology
- Plan and networks types – HMO, PPO, POS, EPO
- Estimating healthcare costs

## INDIVIDUAL OR GROUP INSURANCE

Healthcare is generally provided in two ways: individual and group health insurance. The main difference is how and with whom the insurance is negotiated. For group insurance, the negotiation is between an insurance company and a group (such as a company). Negotiating allows the group to possibly obtain a better price than an individual, as the group will consist of both healthy individuals, who will still pay their premiums, and those who will use the insurance more often. Due to this group negotiation, the cost to the individuals within the group plan may be less; however, there may be fewer choices of coverage types or networks.

Group insurance is generally the option used by employers, providing the company the ability to provide health insurance for the employee, possibly paying a portion or the entire premium. Your future employer can provide details on each of the coverage plans they offer and can answer any questions you might have.

Individual plans are between you and the insurance company. These plans may be more expensive, and there may be a questionnaire or physical exam involved before you receive coverage. The results of the questionnaire or exam may be used to determine cost. However, there are more choices for individualizing plans.

A growing trend is for companies to provide a healthcare stipend by adding a set amount to the paycheck each pay period. The intent is for the employee to use this stipend to purchase his or her own health insurance.

## BASIC HEALTHCARE TERMINOLOGY

To better understand healthcare, it is important to understand the terminology. Here are a few of the most common terms:

- *Premium*: amount you pay for health insurance every month
- *Deductible*: amount you are responsible for paying before your insurance starts cost sharing
  - EX: if you have a \$1500 deductible, you pay all costs up to the \$1,500
- *Co-Insurance*: the percentage of medical costs that you are mandated to pay after reaching your minimum deductible
  - EX: if a visit to the doctor is \$100 and your co-insurance is 20%, you owe \$20
- *Co-Payment*: a flat fee service providers charge based on the health plan
  - EX: a \$20-\$40 co-pay every time you visit your primary care physician
- *In-Network Cost*: cost to see a doctor who is in your particular network and has an agreement with the insurance company
- *Out-of-Network Cost*: cost to see a doctor who is not in your healthcare plan; cost is usually greater and can be up to the full cost of the service
- *Out-of-Pocket Cost*: deductibles, co-payments, and co-insurance not covered by the insurance provider; does not include premiums
- *Out of Pocket Maximum/Limit*: most you will pay for covered services in one year; after this amount is reached, insurance covers 100%; does not include premiums
- *Flexible Spending Account (FSA)*: special account paid into by premium holder which can be used to pay for certain out-of-pocket health care costs
- *Health Savings Account (HSA)*: a pre-tax savings account for those with high deductible plans to pay for deductibles, co-payments, co-insurance and some other expenses

## TYPES OF PLANS

Whether you enroll in a group or individual plan, there are generally only a few types of plans. Below are the most common types:

- Preferred Provider Organizations (PPO)
  - Health plan where you pay less if you use providers in the plan's network. You can use doctors, hospitals, and providers outside of the network without a referral for an additional cost



- Health Maintenance Organization (HMO)
  - Health plan that usually limits coverage to care from doctors who work for or contract with the HMO. Out-of-network care is generally not covered except in an emergency. An HMO may require you to live or work in its service area to be eligible for coverage
- Exclusive Provider Organization (EPO)
  - A managed care plan, similar to an HMO, where services are covered only if you use doctors, specialists, or hospitals in the plan's network (except in an emergency)
- Point of Service (POS)
  - A health plan where you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. POS plans require you to get a referral from your primary care doctor to see a specialist
- Catastrophic Plan
  - To be eligible for the catastrophic plan, the individual must be under 30 years of age. This plan has lower premiums and allows the greatest amount of flexibility on the choice of provider. However, the deductible for the catastrophic plan is very high; before choosing this type of plan consider the amount you have in savings due to the high deductible

## CHOOSING THE RIGHT HEALTHCARE OPTION FOR YOU & YOUR FAMILY

- Estimate your yearly medical needs
  - How often do you visit the doctor? Is there a medical condition requiring regular visits, young children needing well-baby checks, pregnancy and new baby?
  - For reoccurring or existing medical conditions, consider the number of doctor office visits, procedures, and/or hospitalizations in the past year to determine total possible out-of-pocket expense as well as the number of covered beneficiaries
- Decide which plan type best meets your needs.
  - Consider all types of plans—HMO, PPO, POS—and determine which will fit you and your family's needs
- Size up the cost
  - Compare the total cost, not just the monthly payment or deductible – also consider the cost of hospitalization and prescriptions, and balance this with your overall health and expected medical needs

- Don't get lured by freebies
  - Do your research to be sure that what is being touted as free isn't something that is already covered by the plan
- Check the quality of the plan
  - The National Committee for Quality Assurance ranks healthcare plans across the country based on their clinical performance, member satisfaction, and surveys
- Consider a healthcare savings account
  - Save money by setting aside pre-tax money into a healthcare savings account (HSA) or a flexible spending account (FSA). These accounts can be used to pay for prescriptions, contacts, and other out-of-pocket medical expenses, but generally not the premium.
  - Review your yearly medical needs when considering this option
- Check out the prescription coverage
  - Not all plans include prescription coverage, and not all drugs are covered. If you have medications you take on a regular basis, be sure your prescription is included in the coverage.
- Ask about dental and eye coverage
  - Not all plans include coverage for dental or eye exams; be sure to ask, especially if you or a member of your family wears glasses and will need year eye exams
- Family coverage vs Individual coverage
  - Some plans charge premiums based per persons covered versus a family (multiple person coverage) plan. Premiums can add up quickly. Be sure to understand who and what is covered and at what cost
  - Special consideration/additional research might be needed if you have a young adult in college or an adult dependent with special needs

If you don't know or aren't sure, **ASK!** Healthcare is complicated. Call the member services department of the health plan you are considering or the Human Resources (HR) department at your future employer.

## ESTIMATING HEALTHCARE COSTS

When estimating the cost of healthcare, assume that you will be paying the entire premium for you and your family. If you obtain employment where a portion of your insurance is paid by your employer, your healthcare costs will be less than estimated.

There are many different websites available to assist in comparing plans and estimating the cost of healthcare insurance.

One example is the Healthcare Marketplace. This website can be used to estimate the out-of-pocket expense of different plans with varying levels of coverage. While this will not provide the exact cost, it will provide a good estimation of the cost of individual health insurance.

Go to <https://www.healthcare.gov/see-plans/>; answer a few questions and health insurance plans and costs will be provided.

Many different companies and organizations offer similar healthcare cost calculators. It is recommended to use two to three different sites when estimating the cost of healthcare.



**WEBSITE ACTIVITY:** Estimate the cost of health insurance  
**DIRECTIONS:**

1. Go to a healthcare website – such as <https://www.healthcare.gov/see-plans/>
2. Add your zip code; follow directions to add your specific information
3. Review plans – there is no obligation to purchase/enroll
4. Add your research to the box below

**ESTIMATED COST OF HEALTHCARE**

<b>Website Used</b>			
Plan Name			
Company			
Monthly Premium			
Annual Premium			
Deductible			
Co-Pays			
Coinsurance			
NOTES:			

Remember, the estimates shown on the healthcare cost calculators are for purchasing healthcare on your own and not as part of a group through an employer. A plan provided by an employer is likely to cost less but may have fewer plan choices.

## VETERAN SPECIFIC SITE ON HEALTHCARE MARKETPLACE

Visit [www.healthcare.gov/Veterans](http://www.healthcare.gov/Veterans), for information and help in understanding your transition and healthcare options. As a transitioning Service member, you will not be required to wait until the open enrollment period to obtain health insurance through the Healthcare Marketplace. Leaving the military qualifies as a life event and entitles you to a Special Enrollment Period.

For more information, visit the following websites:

- <https://marketplace.cms.gov>
- <https://www.healthcare.gov>
- [www.tricare.mil](http://www.tricare.mil)
- <http://www.tricare.mil/reserve/>

**NOTE:** Plan coverage details and costs will vary; be sure to ask questions and get thorough answers so you can make an informed decision about your healthcare benefits.

Be aware that healthcare laws may change. You are responsible for knowing and understanding how these changes affect you as a civilian.

## LIFE | INSURANCE

### HOW MUCH LIFE INSURANCE DO YOU ACTUALLY NEED?

The purpose of life insurance is to replace the loss of income upon the death of the insured and to be able to pay debts, funeral expenses, education costs, etc. How much is really necessary? That fully depends on your current life situation. A family with young children will have different life insurance needs than a couple nearing retirement. In general, your life insurance amount should be calculated by first determining your long-term financial obligations and then subtracting your assets. There are many online calculators that can help you determine your insurance needs.



While in the Service, you were covered by the Servicemembers' Group Life Insurance (SGLI). There was also an option to cover your family with Family Servicemembers' Group Life Insurance (FSGLI). After transition, SGLI coverage continues for 120 days (or up to two years of free coverage if disabled and unable to work by applying for the SGLI Disability Extension). After that time, SGLI is no longer an option, but there are other options available:

- Veterans Group Life Insurance (VGLI)—allows Service members one year plus 120 days, from the date of separation, to convert their SGLI coverage to term life insurance <http://www.benefits.va.gov/insurance/vgli.asp>.
  - Once enrolled in VGLI, coverage remains as long as the premiums are paid
  - Rates are determined using a sliding scale based on age
- Coverage from an insurance agency
- Coverage from your employer

If you choose to use an insurance other than VGLI, it is important to understand the basics of life insurance.

First is the difference between Term Life Insurance, Universal or Whole Life Insurance, and Disability Insurance:

- *Term Life Insurance*: provides coverage at a fixed rate of payments for a limited period of time or term. When the term expires, so does the coverage. Renewing the policy may result in a higher rate or have added conditions. This is the least expensive way to purchase substantial death benefits.
- *Permanent*: covers you until your death, while providing a savings option. Under the Permanent Life Insurance umbrella, there are four types: (1) Whole Life (2) Variable Life (3) Universal Life and (4) Variable Universal. This insurance generally is set to mature around age 100 and is less expensive the younger you are when you buy the policy, but frequently more expensive than term life insurance and maturity values may be different from term policies.
- *Disability Insurance*: while in the Service, you continued to receive your pay and benefits even when ill or injured. In the civilian sector, this requires disability insurance, commonly referred to as salary protection or paycheck insurance. Many employers offer some type of disability insurance as part of the compensation package, or you can purchase individual disability insurance.

Determining whether term or whole life insurance is better for you and your family is a decision you need to make and should be based on research you have conducted.

Finding the best life insurance company takes time as there are hundreds competing for your business. One consideration is purchase price. It is highly recommended you get life insurance quotes from a few different companies. This is actually very easy with most companies having a quote process online. However, realize that you will be required to provide them basic information including your contact information to obtain a quote. This may lead to phone calls or emails from the company. By comparing quotes, you can discover the differences in cost and in coverage, as well as how much premiums will increase as you age.

Depending on how long you wait and the life insurance company you choose, you may be required to take a physical. Based on the outcomes of the physical, the cost of life insurance premiums could be higher. If you intend to purchase life insurance, it is recommended to do so within 240 days after date of discharge. Within this window of time, proof of good health may not be required for converting from SGLI to VGLI. Companies that offer life insurance may have similar policies but with different time frames.

Do the research and be an informed consumer before inquiring or purchasing life insurance. For any questions, the Personal Financial Manager on your installation can provide additional information and guidance.

## **WRAP UP QUESTIONS**

- Why would tracking your expenses for a period of time prior to transition benefit you?
- What is a co-pay? Deductible?
- What insurance expenses will you add after leaving the military?

# DEBT

## COMPETENCY

*Evaluate current total debt and the effect this may have on transition.*

## LEARNING OBJECTIVES

- Determine debt-to-income ratio
- Analyze the impact of credit score on transition
- Identify ways to decrease debt prior to transition

## WHAT IS YOUR CURRENT DEBT?

To calculate your debt, you will need to determine to whom you owe money and the minimum payment due each month.

Items that fall into the debt category generally include:

- Credit cards (bank, department store, gas, etc.)
- Car loans
- Personal loans
- Consolidation loans
- Student loans
- Advanced payments/Pay day Loans
- Overpayments
- Indebtedness to military aid organizations, family, and friends
- Home mortgage or Rent
- Child support payments
- Alimony payments





## SPEND PLAN UPDATE - DEBT



Now is the time to review the debt section of the spend plan. Follow the directions provided by your facilitator and fill in the appropriate areas.

Include:

- Mortgage or Rent
- Car Payments
- Credit Cards – bank, department, Military Star Card
- Loans – personal, student, car, home

## DEBT-TO-INCOME RATIO

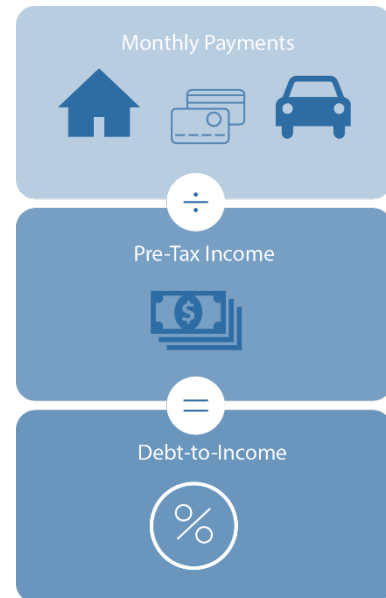
As you transition, it is good to know the amount of debt you have in relation to your income. This is your debt-to-income ratio (DTI). This ratio is one way to measure how financially solvent you are. Lenders will determine your DTI and use this, along with other factors, to decide your ability to repay. As you consider taking on additional debt, it is important to consider your current DTI. Remember, it's a snapshot of your current situation, so it needs to be recalculated regularly as your income and/or debt change.

A common budgeting tool is the 70-20-10 ratio. This is a budgeting guideline for allocating expenses (70%), debts (20%), and savings (10%). When utilizing the 70-20-10 method, rent and mortgage are included in the expense category and income uses net income. This is different from the way lenders will calculate your DTI.

Civilian lending institutions include mortgage or rent as debt and use gross income for calculation. This means your DTI will usually be higher than your 70-20-10 ratio.

## HOW TO CALCULATE YOUR DEBT-TO-INCOME RATIO

- ✓ **Step 1:** Add up all your required monthly debt payments. This may include:
  - Rent/mortgage
  - Monthly credit card payments
  - Loans: student, personal, auto, etc.
  - Child support or alimony
- ✓ **Step 2:** Divide the amount from step one by your gross monthly income (pre-tax income).
- ✓ **Step 3:** The result is your DTI.



**Scenario:** B. Hardy has calculated his total monthly debt payments (including rent, car loan, credit card payments) as \$2,050; his gross monthly income (pre-taxes) is \$5,308.

The DTI calculation is:

- $2050 \div 5308 = 0.38$
- $0.38 \times 100 = 38$

DTI ratio is 38%.



**ACTIVITY:** Determine Debt-to-Income Ratio

**DIRECTIONS:**

1. Determine the total amount of your monthly debt payments and write them in the box below (remember to include your rent/mortgage)
2. Write your gross monthly income from the spend plan in the box below
3. Divide payments by income and multiply by 100
4. The result is your DTI. Write it in the box provided
5. Provide additional notes as needed

**DEBT-TO-INCOME RATIO**

Total recurring monthly debt payments	
Gross Monthly Income	
DTI	
NOTES:	

## DEBT-TO-INCOME RATIO – WHAT DOES THIS MEAN?

Now that you have determined your DTI Ratio, the next step is to understand and determine what that ratio means.

The previous example determined that 38% of the income went to debt. Using the following guidelines, you can determine how this percentage ranks compared to a “safe” level of debt:

- Less than 33%: Acceptable – debt is manageable.
- 34% - 49%: Work to lower your DTI – it would be better to be below 33%.
- Over 50%: Seek financial assistance immediately. With over half your income going to debt, any life event requiring additional funds could cause serious financial hardships.

$\leq 33\%$ Acceptable Level of Debt	34% to 49% Be Cautious About Accepting More Debt	$\geq 50\%$ Seek Financial Assistance
---	--	--

There are times when a DTI within the middle range of 34% to 49% is still considered acceptable; for example, if the number in that range is due to a mortgage payment. Generally, the less debt you have, the better Annual Percentage Rate (APR/interest rate) a lender may offer you.

It is highly encouraged to seek assistance with developing a plan prior to transition, especially if your DTI is 34% or higher. Having less debt as you enter transition will allow for more financial flexibility during the transition period.

## SPEND PLAN UPDATE – DEBT-TO-INCOME RATIO (DTI)



Now is the time to update the DEBT-TO-INCOME RATIO section of the spend plan. Follow the directions provided by your facilitator and fill in the appropriate areas.

## What is a Credit Score?

### CREDIT REPORT AND SCORE

During your time in the military, you may have attended financial classes that included information on the credit report and score. This section will be a review of that information and to ensure you are aware of how a credit score and report can impact your transition—positively and negatively.

- Three-digit number generated by a mathematical algorithm based on information in your credit report
- FICO – Most common
- FICO Range: 300 - 850

**CREDIT SCORES** are widely available to consumers from sources such as banks and credit card companies. However, each credit bureau and credit scoring company has a slightly different way of calculating credit scores; for example, your score may vary depending on the scoring model used and which credit reporting agency's data is used in making the report. Credit scores range from 300 to 850; the National average for a FICO score is 695 - 700, with most in between 660 and 720. Remember, higher credit scores may result in better credit terms such as lower annual percentage rates (APR).

## HOW DOES THE CREDIT REPORT AND SCORE IMPACT YOUR TRANSITION?

### Why Should I Care?

During transition, your credit report may be viewed by a potential employer, when applying for a mortgage or loan, or when renting a home. Ensuring your credit report reflects accurate and correct information helps you present your best image to anyone reviewing your credit report.

- Influences on hiring, home loans, insurance, applying for government assistance
- Higher score = favorable ability to be hired, rented, loaned, or insured

- **Employers:**
  - To evaluate you for hiring, promotions, and other employment purposes
- **Creditors:**
  - When you apply for a home loan or credit
- **Government agencies:**
  - When being considered for assistance, such as unemployment
  - When trying to obtain a security clearance
- **Insurance companies:**
  - When applying for health, life, and auto insurance, companies may look at your credit report to determine your ability to pay a premium
- **Landlords:**
  - When deciding whether to rent you a place to live

Prior to transition is a good time to check your credit report so you know what it contains and that the information is correct and accurate. It is important to note that potential employers or insurance companies are required to notify you if a credit report review is part of background screening. If you are denied credit, a job, or insurance based on your credit report, you have the right to request a copy of the report FREE from that employer/company.

## ANALYZE YOUR CREDIT REPORT AND SCORE BEFORE TRANSITION

Now is the time to check your credit report. Request a report from each of the three crediting agencies, **Equifax**, **Experian**, and **TransUnion**, which is located at [www.annualcreditreport.com](http://www.annualcreditreport.com). These three credit agencies will provide your credit reports. When you receive them, closely review the reports, and if married, review them with your spouse to ensure all credit that has been accessed was from within your family.



Most major creditors subscribe to one or more credit bureaus. Therefore, it is important to request a report from each credit bureau. It is your responsibility to review information on your credit report and to request corrections.

Use [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com) to print your credit report.

If you have already used the free credit report from one or all three agencies, an installation personal financial manager or counselor (PFM or PFC) can assist you with obtaining a current report.

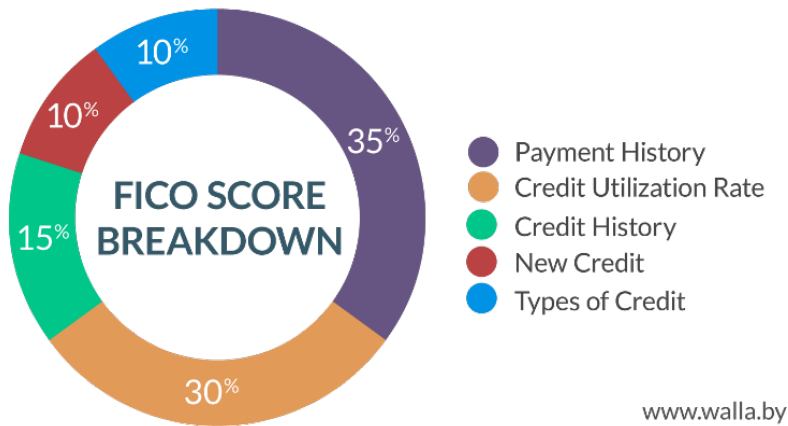
## CREDIT SCORING FACTORS

The biggest credit scoring company with over 90% of the market—Fair, Isaac and Corporation (FICO)—has disclosed the factors it considers in generating credit scores. Most creditors and credit bureaus either use FICO scores or have a system based on the FICO system. More information is available on-line at <http://myfico.com>.

According to FICO, the factors considered in determining FICO scores are:

- **Payment history** (about 35% of the score)
  - Previous credit accounts paid on time
- **Amounts owed on credit accounts** (about 30% of the score)
  - Amount of credit used and how much debt is owed
- **Length of credit history** (about 15% of the score)
  - How long your credit accounts have been established
  - How long it has been since you used certain accounts
- **New credit** (about 10% of the score)
  - How many new accounts have been recently opened; number of new requests for credit

- **Credit mix** (about 10% of the score)
  - FICO scores will consider the mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans



Understanding what the creditors are evaluating helps you understand what adjustments you can make to improve your score.

Do not let the “New Credit-number of new requests for credit” factor stop you from shopping around for the best loan, especially on large purchases such as a car or home. Multiple credit checks for the same type of loan should not affect your credit score as the most commonly used scoring models will count them as a single inquiry if they occur within a short period of time (14-45 days).



## IMPROVING YOUR CREDIT SCORE

The best way to improve your credit score is to pay your bills on time. Other ways to improve your credit are to maintain low balances and only apply for credit you need.



Although your life during transition may be hectic and in flux, it is critical that you remember to pay your bills.

- Create a spreadsheet in the months leading up to transition to ensure all bills are being paid on time
- Utilize online bill pay
- Set up auto pay for bills through the biller's website or your bank
- Set up an email account to use specifically for bills
- Forward your mail to a family member whom you trust to pay a bill for you

## FAIR CREDIT REPORTING ACT

To ensure fairness when it comes to credit reports, the federal Fair Credit Reporting Act (FCRA) was created to promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. There are many types of consumer reporting agencies, including credit bureaus and specialty agencies (such as agencies that sell information about check writing histories, medical records, and rental history records). You must be told if information in your file has been used against you.

- You have the right to know what is in your file
- You have the right to dispute incomplete or inaccurate information
- Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information
- Consumer reporting agencies may not report outdated negative information
- Access to your file is limited
- You must give your consent for reports to be provided to employers
- You may limit the “prescreened” offers of credit and insurance you receive based on information in your credit report
- You may seek damages from violators
- Identity theft victims and active-duty military personnel have additional rights

For more information, including information about additional rights, go to <https://www.ftc.gov/about-ftc>.

## CORRECTING CREDIT REPORT

If you find incorrect or inaccurate information on your credit report, immediately start the process to have it corrected. It is best to contact both the credit-reporting agency and the creditor that provided the information. The fastest and easiest way to resolve an inaccuracy on your credit report is through the online credit report dispute process. Listed below are the dispute websites for the three credit agencies:

TransUnion: <https://www.transunion.com/credit-disputes/dispute-your-credit>

Experian: <https://www.experian.com/disputes/main.html>

Equifax: <https://www.equifax.com/personal/credit-report-services/credit-dispute/>

If the inaccurate information is more complicated, the Federal Trade Commission (FTC) has detailed instructions and sample letters for both the credit company and the information provider at [www.consumer.ftc.gov](http://www.consumer.ftc.gov). You can also visit your local installation PFM to assist you in understanding your options.

Additionally, you can submit a complaint to the Consumer Financial Protection Bureau (CFPB) and they can assist you in resolving the errors. Use the following website <https://www.consumerfinance.gov/complaint/>.

## **CLEAN UP INACCURATE PUBLIC RECORD INFORMATION**

The most damaging information on your credit record is sometimes sourced from public records, such as arrests, judgments, foreclosures, tax takings, and liens. The best way to remove the information from your file is to do so at the source. This requires contacting the government agency supplying this information to the credit bureau, and then ensuring the corrected information is updated in the credit bureau's files.

## **EXPLAIN DAMAGING ITEMS**

It can be helpful to send a statement to the credit bureau explaining damaging items. Credit bureaus are required to accept these statements if they relate to why information in the report is inaccurate.

Another approach, often more effective, is to explain the delinquency to the lender from whom you are applying for credit, rather than to the credit bureau. Federal law requires that creditors at least consider your explanation.

## **NEGATIVE AND OLD INFORMATION LONGEVITY**

When negative information on your report is accurate, only the passage of time can assure its removal. Time limits are as follows:

- Accurate negative information for seven years
- Bankruptcy information for 10 years
- Information about an unpaid judgment against you for seven years or until the statute of limitations runs out, whichever is longer

There is a standard method for calculating the seven-year reporting period. Generally, the period starts from the date the event took place.

There is no time limit on reporting:

- Criminal convictions
- Application for jobs that pays more than \$75,000 a year
- Application for more than \$150K worth of credit or life insurance

## AVOID:

### **Credit Repair Agencies:**

- These companies promise to fix your credit record for a fee. They usually call themselves credit repair, credit service, credit clinic, or similar names. These agencies usually cannot deliver what they promise.

### **Debt Relief Companies (aka settlement or bankruptcy):**

- Debt settlement programs often involve a company negotiating with your creditors to allow you to pay a "settlement" to resolve your debt. Typically, this settlement is a lump sum that is less than the full amount you owe. Settling a debt for less than the full amount owed can impact your credit. Debt settlement programs work to get monies owed; they do not necessarily work in YOUR best interest
- If you MUST use a debt settlement program, look for a non-profit agency or options at your bank/credit union

For more information on debt relief, view the articles below:

<https://www.consumer.ftc.gov/articles/0145-settling-credit-card-debt>

<https://www.consumer.ftc.gov/articles/0084-debt-relief-or-bankruptcy>

**Threats to damage your credit rating from Collectors:** Debt collectors may threaten to report negative information to a credit bureau, but the threat is meant only to pressure you to pay. Creditors automatically report that your account was sent to a collection agency.

These threats may be illegal under the federal Fair Debt Collection Practices Act (FDCPA). If a creditor itself is doing the threatening, not an independent agency hired by the creditor, then the FDCPA does not apply. You may have other legal ways of challenging the creditor's conduct. Contact the Consumer Financial Protection Bureau and file a complaint at <https://www.consumerfinance.gov/>.

Know your rights when it comes to debt collection agencies. For information visit: <https://files.consumerfinance.gov/f/CFPB-Servicemembers-Know-Your-Rights-Handout-Debt-Collection.pdf>.

The installation financial counselor is a free resource while you are on active duty and for retirees. After transition, you can also seek financial assistance at the American Job Centers (AJCs). Many AJCs have certified financial counselors to assist with financial issues and telephonic financial counseling is also available at all sites.

You can generally do a better job cleaning up your credit record on your own, at no cost.

## FINANCIAL WELL-BEING

Both the debt-to-income ratio and credit scores are indicators of financial well-being. However, when analyzing both scores, it is important to note that no single score accurately reflects your current financial situation.

Everyone has different expectations when it comes to finances. Some feel they can never have enough in savings, while others are good with a small amount. Others want their IRA and 401(k) to be extremely robust, while others are perfectly fine with a more modest amount. Some will drive a car that is older because they do not want the car payment, while others buy or lease a new car every few years. A financial situation is very personal and involves your personal financial choices.

Look at your entire financial situation and gain a good understanding of it as you enter transition. Determine if there are any numbers you would like to change. Start making those changes now, but remember change may be slow. It is recommended that during and after your transition, you revisit this activity to ensure your financial situation has remained steady.

## WRAP UP QUESTIONS

- How important is the DTI for obtaining more credit? What other factors are used in the decision-making process?
- What is the FCRA? Will this have an impact on your transition?
- Name the two most important factors, which affect your credit score?

# ASSETS

## COMPETENCY

*Evaluate different types of assets and understand options available during and after transition.*

## LEARNING OBJECTIVES

- Define assets and calculate value of personal assets
- Calculate net worth as it pertains to assets and evaluating current financial situation
- Illustrate the difference between a defined-benefit plan and a defined-contribution plan
- Analyze options available for the Thrift Savings Plan (TSP) when transitioning
- Recognize the reasons a savings account is essential during transition

## ASSETS

An asset is anything of value that you own that can be converted into cash. Examples include savings, real estate, personal property, and investments such as IRAs, mutual funds, etc. Even a retirement pension can be considered an asset, as can an annuity, such as a Survivor Benefit Plan (SBP). During transition, it is important to know your assets and their current value.

## SAVINGS, INVESTMENTS, AND RETIREMENT PLANS

Three types of assets are savings, investments, and retirement plans. During transition, you will need to make financial decisions concerning your existing savings and retirement accounts. After transition, it becomes important to understand the nuances of each type of retirement plan so that when you are confronted with a decision as a new employee, you will have the basic underlying knowledge to be able to ask specific questions and make informed decisions.

## SAVINGS AND INVESTMENTS

Savings and investments are an important part of the financial picture and will ease the financial burden that can occur during transition to civilian life. Savings will help to retain your financial stability should you have a gap in employment during transition. It can also be used in a financial emergency, such as when the car breaks down or if the roof leaks. Savings (savings, emergency savings, and goal savings) are generally used for short term, while investments are for longer-term savings and when planning for retirement.

Consider setting goals for each of these areas to have a balanced savings and investment portfolio:

- Savings - equivalent two-weeks' expenses or \$1,000, whichever is greater
- Emergency Savings - minimum three-to-six months of living expenses, rent/mortgage, and debt
- Goal - items you want
- Investments - Mutual Funds, Stocks, TSP, 401(k)

Savings should not be an afterthought, reserved for after the bills have been paid, groceries are in the refrigerator, and rent is covered. Instead, savings should be considered a part of a spend plan, just like any other recurring expenses. Regular, consistent savings contributions (even if a small amount) go a long way toward building your savings and investment portfolio.

## RETIREMENT PLANS

No matter what your age or life situation, it is never too early or too late to begin thinking and planning for retirement. To assist with this, employers may offer some type of retirement plan to help you save, such as a 401(k) or other similar plan. Many of these plans provide tax advantages, including a deferred tax liability or lowering your taxable income. Some employers offer matching funds up to a certain percentage. Pensions, mutual funds, investment funds, and IRAs are popular options that may be used to grow and fund retirement.

To begin, it is important to understand the two basic categories of retirement plans, which may be provided by an employer: defined-benefit and defined-contribution.

**Defined-Benefit Plan:** A defined-benefit plan is the traditional company pension plan. If you are under the Legacy Retirement System, this is your current

retirement pension plan. The Legacy Retirement System is a “defined-benefit” plan because the ultimate retirement benefit is definite and determinable as a dollar amount or as a percentage of wages. To determine these amounts, defined-benefit plans usually base the benefit calculation on a combination of the employee’s salary and years of employment. Characteristics of a defined-benefit plan include:

- Funded mostly by the employer
- Employer assumes all responsibility for the payment of the benefit and all the risk on funds invested to pay out that benefit
- Considered a type of compensation (similar to separation and unemployment pay)



For specific information on this plan, visit Military Compensation:

ACTIVE-DUTY: <http://militarypay.defense.gov/Pay/Retirement/>

RESERVES: <http://militarypay.defense.gov/Pay/Retirement/Reserve.aspx>

**Defined-Contribution Plan:** A defined-contribution plan is a qualified retirement plan in which the contribution is defined but the ultimate benefit to be paid is not. These plans take many forms and include 401(k), 403(b), Roth 401(k), TSP, Savings Incentive Match Plan for Employees (SIMPLE) IRA, Simplified Employee Pension (SEP) IRA, Employee Stock Ownership (ESOP), and profit sharing.

Characteristics of a defined-contribution plan include:

- Considered portable, as all contributions made by the employee and employer remain property of the employee (after vesting)
- Contributions come from the employee
- A portion may or may not be matched by the employer
- Each participant has an individual account
- The benefit at retirement depends on the amount contributed, the funds selected, the investment performance of that account through the years, and any applicable management fees
- Investment risk rests solely with the employee because of the opportunity to choose from a number of investment options



## BLENDING RETIREMENT SYSTEM (BRS)

Until December 31, 2017, the retirement plan was the High-3, which is now referred to as the Legacy Retirement System. In addition to the defined-benefit pension (obtained when a Service member completed 20 years of Service), Service members in that retirement system also had the option to contribute to a Thrift Savings Plan (TSP) account.

The retirement plan currently in effect for new members and those who opted in is the Blended Retirement System (BRS). This is a combination of a defined-benefit pension plan (at a lower rate) and a TSP account with government contributions.

The defined benefit under BRS is calculated at 2%, times years of Service, times retired base pay and is only obtained after a Service member completes 20 years of Service. The Service member may contribute along with the government automatically contributing an amount equal to 1% of a Service member's base pay, into the TSP account. Upon opting into TSP, the government provides matching contributions up to an additional 4%, for a maximum government contribution of an amount equal to 5% of a Service member's base pay. Those individuals who do not complete a full 20-year career will have portable retirement benefit in TSP.

Service members under BRS who qualify for retired pay may be eligible to elect either a 25 percent or 50 percent discounted portion of their monthly-retired pay as a lump sum in exchange for reduced monthly-retired pay until age 67. If you are considering this option or are interested in learning more, you can take the BRS Lump Sum Course at

[https://jkodirect.jten.mil/html/COI.xhtml?course\\_prefix=J30&course\\_number=P-US1402](https://jkodirect.jten.mil/html/COI.xhtml?course_prefix=J30&course_number=P-US1402).

For more information on BRS or for a BRS comparison calculator, go to

<https://finred.usalearning.gov/Benefits> or  
<http://militarypay.defense.gov/BlendedRetirement/>

A video explaining TSP and BRS is available; "*The TSP for BRS Members: What's It All About?*" The video can be found at <https://www.youtube.com/watch?v=h7n-sWNrz1I>.

## THRIFT SAVINGS PLAN (TSP)

Regardless of whether you are in the Legacy Retirement System or BRS, participation in the TSP is a benefit of Service and enables you to build retirement wealth. When you retire or separate from the military, you have multiple options for your TSP account. Provided you have at least \$200 in your TSP account, you can continue to participate in TSP by leaving your current funds in TSP. The account will continue to grow, even without adding money. Other options include the ability to transfer or rollover your funds from TSP to another IRA, rollover your contributions from eligible employer plans to existing TSP account, or retirement plan; or you can withdrawal your funds, although withdrawal may have consequences.

### BENEFITS OF STAYING IN TSP

- Low administrative expenses
- Ability to move funds to a Traditional IRA or eligible employer plan
- Option to change your investment mix with interfund transfers
- No requirement to start TSP withdrawals until you reach age 72
- Avoid paying current federal income taxes on any taxable amounts left in TSP (and can possibly avoid penalties)

Contact TSP:  
(1-TSP-YOU-FRST)  
[www.tsp.gov](http://www.tsp.gov)

After you separate or retire, you will still have access to your TSP and the ability to review your TSP balance and prior contributions and to rebalance your investment mix. This will be done through the TSP website, [www.tsp.gov](http://www.tsp.gov). The investment mix is how the money is allocated into different types of accounts called funds. To assist in understanding the different types of funds, TSP has created a series of six videos. Use the following link to view the videos:

[https://www.youtube.com/playlist?list=PLz\\_6hPnw1Qq5W5U3hZiD0c05gZKkFStT1](https://www.youtube.com/playlist?list=PLz_6hPnw1Qq5W5U3hZiD0c05gZKkFStT1)  
and visit <https://www.tsp.gov/how-to-invest/>.

If you have not opened or contributed to TSP, consider opening and contributing at least a percentage of your basic pay that equals \$200, the minimum required to keep a TSP account after transition. The ability to contribute is only available to those who are receiving a paycheck from the military departments or federal government, not a retirement pension. However, your funds will continue to grow until withdrawal at retirement age. While you cannot directly contribute to TSP you are able to move (transfer funds from other plans (i.e. IRA, 401(k)) into your TSP.

Under the current military retirement plan, TSP is an important piece of the overall retirement income. With BRS, members who retire with at least 20 credible years receive a smaller monthly pension than the previous military retirement plan, but will now have TSP, which includes your contributions and the federal matching. Keeping your money in the TSP rather than withdrawing it will help you to have more money available to assist you during your retirement years.

### TRANSFER (AKA ROLLOVER) OPTIONS

- If you open a civilian TSP account, you may be able to transfer your military TSP account and combine it with your civilian TSP account
- Transfer all or part of your withdrawal to an IRA or eligible employer plan

Transferring, or rolling over funds, is an option for those who do not want to stay in TSP and do not want the penalty or tax complications of a withdrawal. Done correctly, your funds can be moved to an IRA or eligible employer plan with no tax or early withdrawal penalties. Other options are your contributions from eligible employer plans can also transfer into your TSP account. To avoid unintended IRS penalties, contact the financial institution you want to move over to and have them start and process the paperwork for the rollover or transfer. You can create unintended tax obligations and incur penalties by withdrawing it and moving it yourself.

### WITHDRAWAL OPTIONS

You can:

- Take a partial withdrawal, if you are eligible
- OR
- Choose one of the full withdrawal options:
    - Single payment
    - Monthly, quarterly, or annual payments
    - Life annuity
    - Combination of above options

TSP recently updated their withdrawal options. For more on these options, visit: <https://www.tsp.gov/living-in-retirement/withdrawal-options/>.

Retirement funds are intended for retirement. However, withdrawal is an option. If you have determined you will withdrawal your TSP balance, make sure you are aware of the implications beforehand. There are IRS rules that govern taxes and penalties for pulling out retirement funds before certain ages and criteria are met.

**Warning!** Some types of TSP withdrawal payments are subject to federal income taxes, fees, and penalties, which can amount to over 30% of the withdrawal; different tax rules apply to the different withdrawal options, as well as to the type of money (traditional, Roth, a combination of both, or tax-exempt) that is included in your payment. In addition, you may also be subject to state taxes.

## OTHER TSP CONSIDERATIONS PRIOR TO TRANSITION

- Beneficiaries - Before you transition be sure to check that your TSP beneficiaries are correct and are aware of the TSP death benefits, account number and how to access.
  - <https://www.tsp.gov/forms/tsp-3.pdf>
- Loans – if you have a loan against your TSP, it must be paid in full within 90 days of separation.
  - <https://www.tsp.gov/loan-basics/repaying-your-loan/>
- Update address – ensure your contact information is correct with the Defense Finance and Accounting Services (DFAS); this is the only way TSP may contact you.
  - [www.tsp.gov](http://www.tsp.gov)

For Guard and Reserve members – be sure to visit the TSP website listed below for information on USERRA and TSP as you change status:

- <https://www.tsp.gov/changes-in-your-career/returning-from-active-duty-or-tdy/>
- <https://www.tsp.gov/LifeEvents/military/returningToService.html>

For more information on TSP options, withdrawal deadlines, taxes, and other details concerning the TSP, call the Thrift Line at 1-TSP-YOU-FRST (1-877-968-3778) or visit [www.tsp.gov](http://www.tsp.gov).

### **For information specifically on withdrawal options:**

<https://www.tsp.gov/PDF/formspubs/tspfs10.pdf>

**TIP:** Seek a tax advisor or financial planner if you have questions about taxes and the TSP. The installation personal financial counselor or personal financial manager can provide you with basic information on the tax implications.

## RETIREMENT PLANS FROM EMPLOYERS

Many employers offer a 401(k) or other similar plans intended to help you save for retirement. Some employers may even match up to a certain percentage. Although pensions are rare in the corporate world, they can still be found in government jobs and certain private companies. More often, employers may offer matching contributions into your company retirement plan to assist you with funding your retirement.

In these situations, a company may require what is known as a vesting period. A vesting period is the waiting period required before an employee can keep funds contributed into their account by the employer. For example, any money you contribute to your retirement fund from your paycheck is 100% yours. The company's matching funds may vest (or change ownership from the employer to you) over a period of time. It is common for vesting to occur incrementally, for example, at year one you will be vested at 25%, year two at 50%, year three at 75%, until full vesting of 100% at 4 years. Some employers have a cliff vesting schedule that includes full vesting after a specified period of employment. This means, if you leave the company for any reason prior to the full vesting period, you forfeit the matching company funds.

## SURVIVOR BENEFIT PLAN - SBP

The Survivor Benefit Plan (SBP) is an elected benefit, which guarantees dependents of military retirees' monthly payments for the lifetime of the beneficiary. This benefit is an option available only by election and is generally enacted at the time of retirement. Since the monthly payment continues after the death of the retiree, there is a monthly payment in the form of a deduction taken from the Veteran's pre-tax retirement pay.

When electing SBP, the amount of coverage is chosen by the retiree, however, there is a minimum level of coverage required. If you are married and choosing to decline SBP, it is required for your spouse to show concurrence with this decision. For those who are not married, there are other eligible beneficiaries such as children, former spouse, or a natural interest person.

Once enrolled, you do have the ability to cancel or terminate your SBP election beginning on the 25th month and ending on the 36th month - or the third year - of your retirement. During this time, you can only cancel, not enroll. As with declining at retirement, spousal concurrence is required.

For more detailed information, consult the websites listed below or make an appointment with your PFM on the installation.

DFAS – SBP: <https://www.dfas.mil/retiredmilitary/provide/sbp.html>

DFAS – Spouse Coverage: <https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/Costs-and-Benefits/Spouse-Coverage/>

DFAS - Eligible Beneficiaries:  
<https://www.dfas.mil/retiredmilitary/provide/sbp/coverage.html>

Military Compensation SBP Overview:  
<https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/Overview/>

## NET WORTH AND ASSETS

Having discussed different types of assets, you have the knowledge to determine which types of assets you need to include when calculating your new worth.

One of the challenges in calculating the value of your assets is assigning accurate values to each item. In order to avoid inflating your net worth (i.e. having an unrealistic view of your wealth), it is important to make conservative estimates when placing value on certain assets.

As you prepare to make a list of your assets and the value of each, here are some categories of assets to consider:

- Your home: probably your most valuable asset; there are various websites which help determine the current value of your home
- Vehicles
- Checking and savings accounts
- Investments, TSP, IRA, mutual funds
- Annuities, life insurance policies
- Personal property: high-value jewelry, electronics, artwork, rare coins, collectibles
- Retirement pension: to determine value, use the current amount (at retirement) of the pension you will be receiving to add to your net worth. If you have not completed 20 years of Service, this number will be \$0

Your net worth is the amount that your assets exceed your liabilities. In simple terms, net worth is the difference between what you *own* and what you *owe*. If your assets exceed your liabilities, you have a positive net worth. Conversely, if

your liabilities are greater than your assets, you have a negative net worth. Calculating your net worth annually is a great way to track financial progress over the years and see how far you have come.



### HOME AS AN ASSET OR LIABILITY

A home can be your largest asset or your biggest liability during transition. Deciding where to live and if relocation will be necessary can be one of the biggest decisions made during transition.

If you are renting and plan to stay in the area, it may be a good time to buy. Your ability to show income to qualify for a loan to purchase a house may be easier while you are still in the Service. If you do not know what your income will be or do not have employment lined up for after separation or retirement, it may be dangerous financially to have this house payment obligation unless you have adequate savings. If you own a home and find yourself relocating, renting out your current home, and renting in the new location may be an option. Once you can show a year of rental income on your tax return it will be easier to look into buying a home in your new location if that is desired.



There are online calculators that you can use to help make an informed decision about your housing plan and whether to rent or buy.

- <https://www.consumerfinance.gov/owning-a-home/>
- <http://www.bankrate.com/calculators/mortgages/rent-or-buy-home.aspx>
- <http://www.knowyouroptions.com/>
- <http://myhome.freddiemac.com/resources/calculators.html>
- <https://www.realtor.com/mortgage/tools/rent-or-buy-calculator/>

For information on buying a home, attend the Home Buyers course available on most installations. Ask the personal financial counselor/manager for more information if the course is not available.



### ACTIVITY: Determine Net Worth

#### DIRECTIONS:

1. Determine the value of all your assets that could have a cash value
2. Determine the total of your liabilities (debt owed)
3. Subtract liability from asset to find your Net Worth

#### NET WORTH

Assets*	
Liabilities	
Net Worth	
NOTES:	

\*Be conservative in your estimates of worth.

You have arrived at a number. Now what? Your net worth can tell you many things. If the figure is negative, it means you owe more than you own. If the number is positive, you own more than you owe. A negative net worth does not necessarily indicate that you are financially irresponsible; it just means that - right now - you have more debt than assets.

Your net worth will fluctuate; however, it is the overall *trend* that is important. Ideally, your net worth continues to grow as you age if you pay down debt, build equity in your home, and acquire more assets. At some point, it is normal for your net worth to fall, such as when you begin to tap into your investments for your retirement income.



Financial situations and goals are unique; it is difficult to establish a generic "ideal" net worth that applies to everyone. If you have not calculated your net worth before, it is best to create an honest evaluation of where you stand today and create a reasonable goal to see it increase over time. Eventually you will have to determine **your** ideal net worth—where **you** want to be in the near-term and long-term—and set a plan to accomplish it.

## How do you improve your net worth?

If you want to see your net worth increase, you must either increase your assets or decrease your liabilities (debts). The most effective way to increase net worth is to reduce your debt. As your liabilities decrease, your net worth rises.

### SPEND PLAN UPDATE - ASSETS



Now is the time to review the ASSETS section of the Spend Plan. Follow the directions provided by your facilitator and fill in the appropriate areas on the Spend Plan.

### SOCIAL SECURITY AND RETIREMENT INCOME

Social Security describes full retirement as the age at which a person may first become entitled to full or unreduced retirement benefits. This is on a sliding scale and depends upon the year of your birth. For those born after 1960, full retirement age is currently 67. You can choose to receive benefits earlier; however, the amount of your benefit will be reduced by as much as 30% at age 62, 25% at age 63, and so on.



The amount of benefit you receive is based on your age and the amount withheld from your paycheck over the course of your working life. The Social Security Administration provides retirement planning assistance with an online social security estimator and a retirement planner.

Social Security Estimator: <https://www.ssa.gov/benefits/retirement/estimator.html>  
Retirement Planner: <https://www.ssa.gov/benefits/retirement/>

For all other accounts, such as TSP and 401(k), the earliest age to begin withdrawal is generally 59½, however, you can delay withdrawal until age 72 before Required Minimum Distribution (RMD) rules apply.

For more information on RMD, visit: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>.

## WRAP UP QUESTIONS

- Define asset, liability, and net worth
- What type of retirement plan is the Legacy Retirement System? What type of plan is the Blended Retirement System?

# ACTION PLAN

## COMPETENCY

*Understand the entirety of the financial situation and create a financial plan leveraging resources available during and after transition.*

## LEARNING OBJECTIVES

- Create a plan containing next steps in the financial journey to prepare for transition
- Identify ways to decrease debt
- Identify reliable financial resources after transition
- Interpret information to discover possible scams

## FINANCIAL ACTION PLAN

There are some basic steps to take when working through and creating your financial action plan. This presentation and work you have done today will provide most of the information you need to create your action plan for financial success during your transition.

### 1. *Analyze current financial situation*

During this course, you completed the following: reviewed your current income, determined your civilian equivalent, created a list of your expenses and debts, determined your assets, and figured your debt-to-income ratio. Transfer the information from the previous exercises into the boxes below or review the summary page on the spend plan:

#### CURRENT FINANCIAL SITUATION

Total Current Income	
Civilian Equivalent Salary	
Monthly Expenses	
Total Debt	
Debt-to-Income Ratio	
Total Assets	
Net Worth	
NOTES:	

Take a minute to reflect on your current financial situation.

## **2. Re-examine your financial goals**

At the beginning of this course, you determined your financial goals. They may have included paying down debt, saving money for a down payment on a house or car, or even saving for a vacation. Take a minute and review the goals you wrote at the beginning of this class. Are those goals still valid? Are they reasonable with your current financial situation? Should these be changed to reflect a more prudent goal? Using your in-depth knowledge of your financial situation, take a minute to determine if your previous goals are SMART. If your previous financial goals are still valid, excellent, but if you need to revise your goals, write your new goals below or update the goals in the spend plan:

### FINANCIAL GOALS

Short-Term Goal:	
Medium-Term Goal:	
Long-Term Goal:	
NOTES:	

### ***3. Determine ways to work toward your goals***

Regardless of your goals, there are three main ways to achieve them quicker:

- Increase income
- Decrease expenses
- Decrease debt

If your financial situation is acceptable, why should you review ways to decrease your expenses or decrease indebtedness?

As you transition, there is a good chance your finances will fluctuate.

Understanding how to decrease your expenses when this happens can increase financial stability and success. In addition, building your savings as much as you can while you have a consistent paycheck can open you to more options and make your transition easier, should the unexpected occur. While lower debt is ideal for transition, increasing your savings can help you continue to make your payments on time and protect your credit. If everything goes as expected during transition, you can pay down debts or add to your savings with the extra money you saved. During transition planning, extra income may be beneficial to ensure all debts are paid and more debt is not accrued.

While decreasing living expenses will produce the quickest results, it may not be the best choice for your family. However, a well-managed spend plan can decrease stress associated with any financial situation.

Below are a few suggestions on ways to increase income, decrease expenses, and decrease indebtedness.

Ways to increase income:	Ways to decrease expenses:	Ways to decrease debt:
<ul style="list-style-type: none"> <li>• Spouse gets job</li> <li>• Active-duty person gets part-time job</li> <li>• Seek out temporary or seasonal work</li> <li>• Review and change tax filing status and exemptions</li> <li>• Enroll in federal or state programs</li> <li>• Use eBay, Craigslist, or a garage sale to sell items you no longer use</li> <li>• Use internet to research the best prices for more expensive purchases</li> <li>• Apply for unemployment entitlement</li> </ul>	<ul style="list-style-type: none"> <li>• Down grade or eliminate the cable package</li> <li>• Bundle packages for cable, Internet, and cell phone</li> <li>• Re-shop for auto, home, and life insurance</li> <li>• Eliminate your land line; use cell phone</li> <li>• Review current cell phone plan to determine if any extras can be removed</li> <li>• Check books/eBooks/movies out from library</li> <li>• Use public transportation or carpool</li> <li>• Turn off lights &amp; appliances when not using. Check with your utility company for more tips</li> <li>• Ask for veteran and military discounts</li> <li>• Find friends who can trade services (e.g. babysitting, pet sitting, etc.)</li> <li>• Cook at home and pack your lunch; plan menus around foods on sale</li> <li>• Use coupon/Groupon for shopping, dining out, and recreational activities</li> <li>• Shop at thrift stores</li> <li>• Ask utility companies about a budget plan for consistent utility bills</li> <li>• Cancel underutilized subscriptions such as gaming services, Hulu, Netflix, Amazon Prime</li> </ul>	<ul style="list-style-type: none"> <li>• Stop using credit cards</li> <li>• Pay off debts by paying the debts with the highest interest first</li> <li>• Pay lowest balance first and roll payment into next debt</li> <li>• Pay down debt using a power pay plan. Take advantage of websites that explain various methods of power paying; such as <a href="http://PowerPay.org">PowerPay.org</a></li> <li>• Pay more than the minimum payment</li> <li>• If you get a raise, use the additional money to pay down a debt</li> <li>• Shop for the lowest interest rates, refinance when possible</li> <li>• Consider consolidation loans</li> <li>• Contact credit card companies and negotiate a lower interest rate</li> <li>• Seek help if you are in serious debt</li> <li>• Ask if accrued interest and late fees can be waived by your creditors if you enroll in a non-profit debt management program</li> </ul>

Ask yourself which of the above changes can be made starting today. Small changes in your day-to-day life can result in big changes for your financial situation.

#### **4. Create your post-transition spend plan (Career Readiness Standard for this module)**

You have now researched all the information required to complete your budget. Consider the following:

- Civilian equivalent salary
- Location after separation/retirement
- Sources of income (spousal income, retirement, investment income, alimony, child support)
- Transition expenses/debts
- Debt-to-income ratio
- Net worth

Update the Action Plan section of the spend plan.

## **IMPORTANCE OF PREPARING FOR TRANSITION**

### **TRANSITION RESOURCES**

Take advantage of free services available on the installation while you are still on active-duty. The Personal Financial Management Program staff i.e. PFM, CFS and PFC are available.

Legal services are free while you are in the military, so take advantage of these resources to create/update your wills, power of attorneys, etc., before you leave active-duty. You can save hundreds of dollars by not having to pay the costs of these services in the civilian sector. These items will save you and your family a lot of work and money to protect your assets and your family.

After you retire or separate, there are certain programs, which provide protections, or advantages, which will no longer apply. Understand the implications of losing the following protections:

- Servicemembers Civil Relief Act (SCRA): While on active-duty, you were entitled to protection under this law for areas of financial management, rental agreements, security deposits, evictions, installment contracts, credit card interest rates, mortgages, civil judicial proceedings, income tax payments, and more. Once you are no longer active-duty, these protections no longer apply.
- Military Lending Act (MLA): Ensures Service members aren't charged more than 36% Military Annual Percentage Rate, does not allow mandatory waivers of consumer protection laws, or mandatory allotments from Service



member's paycheck. A creditor cannot charge a penalty for prepayment of loans.

- Internal Revenue Service (IRS): While on active duty, there are special tax breaks and incentives for which you were entitled. After transition, these benefits may no longer apply. One of the most important is the automatic deadline extensions for filing your taxes. In addition, the uniform deduction, reservist travel deduction, and the moving expenses deduction may no longer be applicable.

## ACCESSING AND APPLYING FOR RETIREMENT PAY

As you prepare for retirement, visit the DFAS website ([www.dfas.mil/retiredmilitary.html](http://www.dfas.mil/retiredmilitary.html)) for information on applying and receiving retirement pay.

For information on the steps to applying for retirement pay, go to <https://www.dfas.mil/retiredmilitary/apply/how-to-apply.html>.

## ACCESSING PAY INFORMATION AFTER TRANSITION

As you prepare to leave Service, it is important to update your personal information in myPay and payroll accounts or in Direct Access for the Coast Guard. This will allow you to easily access your pay and tax information without your Common Access Card (CAC).



To ensure access, 30 days prior to transition, log on to myPay using your personal device. Follow the steps listed below to review your personal information for accuracy for AFTER transition. If any information is incorrect, it can cause delays in access to your W2 or retirement payments.

### 1. Update your email address

- Select "Email Address" on the main screen
- Under "Personal Email Address," enter and then re-enter your personal email address
- Select the "Primary" bubble to the right of your newly entered email address
- Select "Accept/Submit" to save the change

## 2. Update your mailing address

*Active-duty Army and Navy members, contact your respective Personnel or Finance Office to update your correspondence (mailing) address.*

*All others*

- Select "Correspondence Address" on the main menu
- Enter and Save your new correspondence address
- Click "Save"



**NOTE:** Address changes will take 3-7 days to become effective.

## 3. Update your "Security Questions for Password Resets"

- Select "Security Questions for Password Resets." Keep in mind that your eight questions and answers will be used should you ever need a new myPay Password.

## 4. Review your "Personal Settings Page" for accuracy and outdated information

- Select "Personal Settings Page." Remember, you will not have your CAC after you separate so establish or update your passwords **NOW** because this is how you will access your account after you leave Service.

## 5. Save/Print a copy of all your W2s and LES statements within 13 months of separation.

- Retirees will receive all future tax statements in your account.

## 6. Review and update your direct deposit information.

- The account you enter will be used to send any outstanding pay due to you at separation.

## MYPAY FACTS AFTER TRANSITION

- If you are separating from active-duty or the Reserves, you will maintain access to your myPay account for 13 months.
- If you are retiring from active duty, you will have continued access with the Login ID and Password you established on active-duty Service; however, your active component pay statements will only be available for 13 months.

Once your retired pay account is established, the options to manage your pay and your retiree pay statements will become available

- If you are a retiring reservist, you will not have continued, uninterrupted myPay access. You will be mailed a new myPay password once you reach retirement age and your retired pay account is established

For assistance with myPay contact:

DFAS: <http://www.dfas.mil/militaryseparations.html>

myPay: <https://mypay.dfas.mil/mypay.aspx>

Customer Service: 1-888-DFAS411 or 1-888-332-7411

Travel Voucher Status: 1-888-332-7366 (option 1)


Online Customer Service askDFAS: <https://www.dfas.mil/dfas/AskDFAS/>


***NOTE:*** *Military Retirees that are in a non-pay status due to a VA Waiver or Combat Pay can still access myPay but will have limited options available.*

## DIRECT ACCESS FOR COAST GUARD

Direct Access after Transition:

- Visit U.S. Coast Guard Pay & Personnel Center (PPCs) webpage or <https://www.dcms.uscg.mil>
- Enter your 7-digit Employee ID (Emplid) in the **User ID** field
- On the Self-Service page review and update if necessary:
  - Mailing address
  - Phone number (should be a personal number)
  - Email address (to a personal email)
  - Delivery options
  - Password

**United States Coast Guard**  
U.S. Department of Homeland Security

[My Page](#) [Self Service](#) [Requests](#) 

**Welcome to Direct Access II Self Service for Retirees, Annuitants, and Former Spouses. You can use Self-Service to perform the functions listed below.**

- **If you encounter problems, contact PPC at 1-800-772-8724.**
- 2017 1099R forms available. Click the "View/Print My Year End Forms" link to access them. [Here are instructions for updating your "electronic consent status"](#).

Please note: Pay slips and 1099R forms will open in a new window. Turn off the pop-up blocker in your web browser to view pay slips and 1099R forms. In Internet Explorer, click on Tools to access the pop-up blocker options.

<a href="#">View My Payslip</a> This link will take you to a list of all available payslips to view and/or download.	<a href="#">View/Print My Year End Forms</a> Affirmative consent to receive only an electronic copy of Year-End Tax Forms.
<a href="#">View My 1099R</a> This link will take you to a list of all available 1099R tax documents to view and/or download.	<a href="#">View/Change Mailing Address</a> View and make changes to your mailing address. PPC uses the mailing address to send communications, payroll, and tax documents to you.
<a href="#">View/Change My Phone Numbers</a> Self-service users will use this link to view, add, or update their phones numbers.	<a href="#">Change My EFT/Direct Deposit</a> This link will take you to view and/or change your EFT/Direct Deposit.
<a href="#">Change My Voluntary Deductions</a> This link will take you to view, add, change, or stop your voluntary deductions.	<a href="#">Change My Delivery Options</a> This link will allow you to change delivery options for communications.
<a href="#">View/Change My Email Address</a> This link will take you to view and/or change your email addresses stored in the Retired Payroll system.	<a href="#">Change My Password</a> This link will allow you to change your password and set your Forgot Password security question/answer.
<a href="#">View My Final Pay Beneficiary</a> Self-service users will use this link to view their Final Pay Beneficiaries	<a href="#">Change My Federal &amp; State Tax</a> Review or change your W-4 information.
<a href="#">View/Print ACA Forms</a> View/Print ACA Forms	

## FRAUDS AND SCAMS

Scams change over time to become more effective in separating you from your money, but you can learn to protect yourself by identifying the red flags that signal a scam.

Protect yourself by being alert to the fact that scam and scammers exist. Understand that even though someone claims to be part of a Veteran Service Organization or a Military Service Organization, still conduct due diligence. Take the time to thoroughly research and vet any product, idea, or organization. *Especially if it sounds too good to be true!*

The Consumer Financial Protection Bureau (CFPB) has provided more information on Spotting Frauds and Scams. View the pdf in the Appendix or at <https://www.sgbconline.com/assets/files/wu1HjCek/2016/12/21/>

## PRE- AND POST-TRANSITION RESOURCES

Just as a business would bring in a consultant if it started to run into financial problems, you have resources available to you. If you need assistance creating a spend plan or financial strategy for transition, or if you are having financial difficulties, ASK FOR HELP. If you are retiring, you will have access to financial assistance on the installation. However, if you are separating, you will need to understand the resources available off the installation for after your transition. In addition to the installation family service center financial professionals, there are other resources for assistance:

- American Job Centers (AJC)
- Non-profit, financial education organizations
- Military OneSource
- Resources by State

***This does not constitute a formal DoD endorsement of any company, its products or services.***

## WRAP UP QUESTIONS

- Name one way to increase income, decrease expenses, and decrease debt. Why is this important during/after transition?
- Do you have an alternative plan if the current plan is not effective for a successful transition?
- Where can you seek financial assistance while still in the military? After you transition?

## SUMMARY

You now have additional tools and resources to facilitate your successful financial transition to civilian life. As you get closer to your transition, you may find you have more questions and concerns about your specific spend plan. Be sure to make an appointment to see your installation personal financial counselor for assistance.

One of your Career Readiness Standards (CRS) is the completion of the post-transition spend plan. By completing, you have already begun the process of creating or updating a spend plan, and you have a strong foundation of knowledge to complete this CRS requirement.

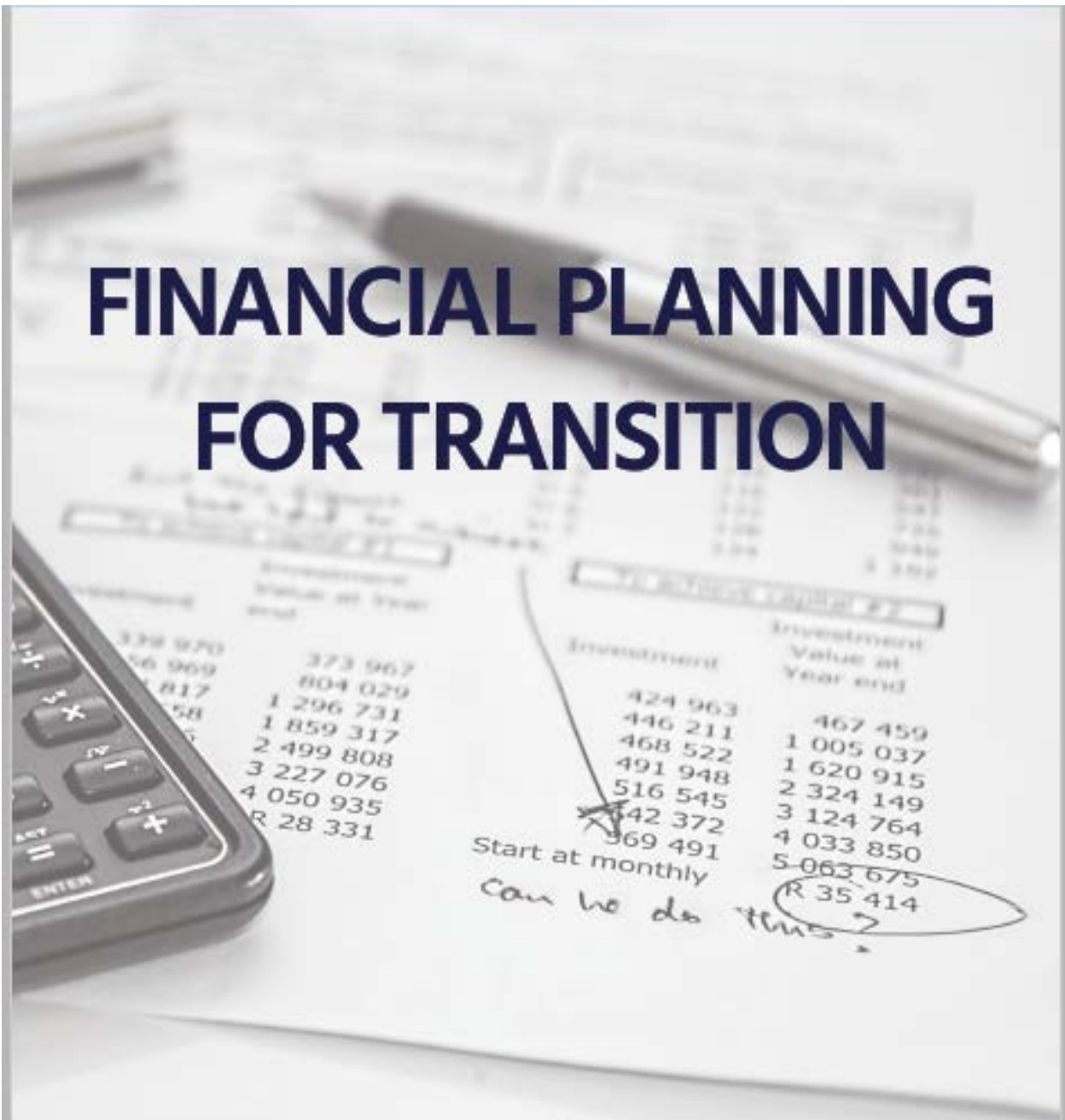
## TRANSITION ASSISTANCE PROGRAM PARTICIPANT ASSESSMENT

At the end of each module, you are encouraged to complete an online Participant Assessment specific to that module. See the **Your Feedback Is Important** page in the Appendix for more details. The assessment is completely anonymous; demographic information is not stored and must be reentered for every module.

- Access the Participant Assessment at <https://www.dodsurveys.mil/tgpsp/>
- Select the box **Financial Planning for Transition** and complete the assessment by answering all the questions
- Information is gathered and analyzed quarterly, and participant feedback is used to make improvements/updates
- The Participant Assessment can be completed on your personal mobile device

Thank you for your feedback—your opinion matters to us!

# FINANCIAL PLANNING FOR TRANSITION



## APPENDIX



# YOUR FEEDBACK IS IMPORTANT

## TELL US WHAT YOU THINK



The Transition Assistance Program (TAP) Participant Assessment is located at:

<https://www.dodsurveys.mil/tgpsp/>

The TAP Participant Assessment is a critical evaluation tool used to gain feedback on TAP, facilities, facilitators, curriculum, and materials. Feedback is reviewed quarterly and used to make improvements to TAP. Participant feedback is essential to ensure a quality program.

**Assessments are available for the following:**

### CORE CURRICULUM

- Managing Your Transition
- MOC Crosswalk
- Financial Planning for Transition
- VA Benefits and Services
- Employment Fundamentals of Career Transition

### AVAILABLE TRACKS

- Employment: DOL Employment Workshop
- Education: DoD Managing Your Education
- Vocational: DOL Career and Credential Exploration
- Entrepreneurship: SBA Boots to Business

### Examples of curriculum updates made based on Service member feedback include:

- Provided a list of website resources after each module.
- Removed unnecessary or obsolete information.
- Added information pertaining to healthcare, life insurance, and SBP options after transition.
- Added more hands-on activities and enhanced content on American Job Center resources, social media, and resume examples.

### TAKE A PICTURE OF OR SCAN THE QR CODE BELOW WITH YOUR PERSONAL DEVICE TO BEGIN THE ASSESSMENT



#### PLEASE NOTE:

- Each assessment should be completed at the end of each module.
- Participation in the assessment is anonymous. You will be asked to re-enter your background information for each assessment (such as component and time until separation).



# Website Guide

## INCOME

RMC Calculator: <http://militarypay.defense.gov/Calculators/RMC-Calculator/>

Best Places: <https://www.bestplaces.net/>

Bank Rate: <http://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx>

Kiplinger: [www.kiplinger.com](http://www.kiplinger.com)

Money CNN: [www.money.cnn.com/calculator/pf/cost-of-living](http://www.money.cnn.com/calculator/pf/cost-of-living)

PayScale: [www.payscale.com/cost-of-living-calculator](http://www.payscale.com/cost-of-living-calculator)

Taxes: <https://smartasset.com/taxes/income-taxes>

Retirement Taxes: <https://smartasset.com/retirement/retirement-taxes>

Retirement Pay: <http://militarypay.defense.gov/Calculators/Active-Duty-Retirement/High-36-Calculator/>

## EXPENSES

Healthcare for Transitioning Service Members: [www.healthcare.gov/Veterans](http://www.healthcare.gov/Veterans)

Healthcare Market Place: <https://marketplace.cms.gov>

Healthcare.gov: <https://www.healthcare.gov>

Tricare: [www.tricare.mil](http://www.tricare.mil)

Tricare Reserve: <http://www.tricare.mil/reserve/>

SGLI/VGLI: <http://www.benefits.va.gov/insurance/vgli.asp>

VGLI Options: [https://www.benefits.va.gov/INSURANCE/forms/SGL\\_133\\_ed2020-07.pdf](https://www.benefits.va.gov/INSURANCE/forms/SGL_133_ed2020-07.pdf)

## DEBTS

Annual Credit Report: <https://www.annualcreditreport.com/cra/index.jsp>

FICO: <https://www.myfico.com/>

Federal Trade Commission - Credit: <https://www.consumer.ftc.gov/topics/credit-and-loans>

Consumer Reporting Agencies:

[http://files.consumerfinance.gov/f/201501\\_cfpb\\_list\\_consumer-reporting-agencies.pdf](http://files.consumerfinance.gov/f/201501_cfpb_list_consumer-reporting-agencies.pdf)

Federal Trade Commission - Complaint: <https://www.ftccomplaintassistant.gov/>

Consumer Financial Protection Bureau: [www.cfpb.gov](http://www.cfpb.gov)

Consumer Financial Protection Bureau – Know your rights:

<https://www.consumerfinance.gov/f/CFPB-Servicemembers-Know-Your-Rights-Handout-Debt-Collection.pdf>

Consumer Financial Protection Bureau – How to file complaint – PDF:

<https://pueblo.gpo.gov/CFBPBpubs/CFBPBpubs.php?PubID=13034>

## ASSETS

Retirement Pay: <http://militarypay.defense.gov/Pay/Retirement/>

Reserve Retirement Pay:

<http://militarypay.defense.gov/Pay/Retirement/Reserve.aspx>

To find the value of savings bonds check:

[https://savingsbonds.gov/indiv/tools/tools\\_savingsbondcalc.htm](https://savingsbonds.gov/indiv/tools/tools_savingsbondcalc.htm)

You can estimate your home value at [www.zillow.com](http://www.zillow.com) or

<https://www.realtor.com/myhome>

To find your car's value check: <https://www.nada.com/> or <https://www.kbb.com/>

To find the value of your TSP account: [www.tsp.gov](http://www.tsp.gov)

TSP: [www.tsp.gov](http://www.tsp.gov)

Freddie Mac: <http://myhome.freddiemac.com/resources/calculators.html>

Realtor.com: <https://www.realtor.com/mortgage/tools/rent-or-buy-calculator/>

Bank Rate: <http://www.bankrate.com/calculators/mortgages/rent-or-buy-home.aspx>

Fannie Mae: <http://www.knowyouroptions.com/>

SBP: <https://www.dfas.mil/retiredmilitary/provide/sbp.html>

SPB - Spouse Coverage: <https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/Costs-and-Benefits/Spouse-Coverage/>

SPB - Eligible Beneficiaries:

<https://www.dfas.mil/retiredmilitary/provide/sbp/coverage.html>

SPB Overview: <https://militarypay.defense.gov/Benefits/Survivor-Benefit-Program/Overview/>

Blended Retirement System: <https://militarypay.defense.gov/BlendedRetirement/>

Social Security Account: <http://www.ssa.gov/myaccount/>

Social Security Estimator: <http://www.socialsecurity.gov/estimator/>

## ACTION PLAN

Power Pay: <https://powerpay.org>

DFAS: <http://www.dfas.mil/militaryseparations.html>

MyPay: <https://mypay.dfas.mil/mypay.aspx>

DFAS Questions: <https://www.dfas.mil/dfas/AskDFAS/>

BAH: <https://www.defensetravel.dod.mil/site/bah.cfm>

CFPB – Choosing a financial professional:

[https://files.consumerfinance.gov/f/201401\\_cfpb\\_guide\\_choosing-financial-professional.pdf](https://files.consumerfinance.gov/f/201401_cfpb_guide_choosing-financial-professional.pdf)

CFPB – How to spot fraud and scams:

<https://www.sgbconline.com/assets/files/wu1HjCek/2016/12/21/>

CFPB – Things to do to avoid fraud: <https://www.consumer.ftc.gov/articles/0060-10-things-you-can-do-avoid-fraud>

## **MILITARY PROTECTIONS AND CONSUMER AWARENESS RESOURCES**

Service members Civil Relief Act (SCRA): <https://scra.dmdc.osd.mil/>

SCRA and Bankruptcy:

<http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics/SCRA.aspx>

Consumer Financial Protection Bureau: <http://www.consumerfinance.gov/>

CFPB for Service members: <http://www.consumerfinance.gov/servicemembers/>

## **COUNSELING and ASSISTANCE**

Navy-Marine Corps Relief Society: <http://www.nmcrrs.org/>

Military One Source: <http://www.militaryonesource.mil/>

Air Force Aid Society: <https://afas.org/>

Coast Guard Support: <https://www.cgsuprt.com/>

Coast Guard Mutual Assistance: <http://www.cgmahq.org/>

## **OTHER FINANCIAL RESOURCES**

Military One Source: <https://www.militaryonesource.mil/financial-legal/personal-finance>

Office of Financial Readiness: <https://finred.usalearning.gov/>

## **FINANCIAL EDUCATION**

Investor Education Foundation: <http://www.finrafoundation.org/programs/>

FDIC- Money Smart – Financial Education Program:

<http://www.fdic.gov/consumers/consumer/moneysmart/index.html>

Consumer Protection Basics: <http://www.consumer.gov/>

## **MILITARY-CIVILIAN TRANSITION OFFICE (MCTO)**

Transition Assistance Program Participant Assessment:

<https://www.dodsurveys.mil/tgpsp/>

Financial Planning for Transition Participant Guide (fillable PDF):

<https://www.dvidshub.net/unit/DoDTAP> (scroll down to Recent Publications)

Follow us on LinkedIn: <https://www.linkedin.com/showcase/military-civilian-transition-office>

Financial Planning for Transition—Online course to review information:

<https://tapevents.org/courses>

# Choosing a financial professional

---



## 1. Decide the type of help you need

### Money and debt management

A credit counselor or money coach can help you set up a budget, review your expenses and track your spending so you can achieve your goals. These service providers usually do not provide investment advice or do comprehensive financial planning.

Free assistance may be available through your installation family support center, Reserve or Guard center, a local non-profit consumer credit counseling service ([nfcc.org](http://nfcc.org)), or online at Military OneSource ([militaryonesource.mil](http://militaryonesource.mil)).

### Financial planning

Financial planners can help you with a single issue or map out a comprehensive financial plan to meet your goals. They can also help you plan for retirement, college saving, tax planning, insurance, and estate planning.

A financial planner should have an advanced educational degree and experience. You may want to look for a financial planner with a certification that is accredited, as well as one from an organization that subjects its members to strict ethical and disciplinary standards. This will allow you to research the financial planner's history and determine whether he or she has ever been subject to a disciplinary action. This is important because financial planners generally don't have to register with state or federal regulators, unless they are also investment advisers or broker-dealers, or also sell insurance products.

Financial planners may charge an hourly or fixed fee, a percentage of the assets they manage, a commission on products they sell, or a combination of these, depending on how they are registered.

### Investment advice and trades

Discount brokers, full-service brokers, broker-dealers and investment advisers provide investment services that range from do-it-yourself online trading to full-scale investment advice and money management. Fees and commissions vary depending on the types of services you want. Generally, investment advisers and broker-dealers must be registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and/or state regulators, depending on the business they conduct. help soon enough—often called a loss mitigation application—new CFPB rules require your servicer to evaluate you for options that may be available to you to avoid foreclosure.

## 2. Check your adviser's background

The SEC recommends asking these questions to check an adviser's background:

- How will I be charged and how much will I be charged?
- What experience do you have, especially with people in my circumstances?
- Where did you go to school? What is your recent employment history?



- What licenses do you hold? Are you registered with the SEC, a state, or FINRA?
- Are the firm, the clearing firm, and any other related companies that will do business with me members of Securities Investor Protection Corporation (SIPC)? (SIPC protects customers of broker-dealers as long as the broker-dealer is a SIPC member.) What products and services do you offer?
- Can you recommend only a limited number of products or services to me? If so, why?
- Have you ever been disciplined by any government regulator or certifying organization for unethical or improper conduct or been sued by a client who was not happy with the work you did?

### 3. Proceed with caution

Avoid enticing offers and too good to be claims about low risk investment opportunities. Watch out for:

#### Free seminars

Any time you see a financial seminar advertised as “educational” or as a “workshop,” exercise caution. The true goal may be to sell investment, insurance, or financial products at the seminar or in follow-up calls. Also, don’t assume military expertise just because they say they are military experts. The claim may be nothing more than a marketing pitch.

#### Freebies

Financial salespeople may use freebies like lunch and dinner invitations, golf trips and country club outings to get you to come to marketing and sales events. They give you something knowing you’ll be more likely to give them something in return.

#### High-pressure sales tactics

You may be asked to make a quick investment decision, or be warned that “opportunities are limited.” Don’t fall for these techniques. Good financial advisers won’t rush you. They know it takes time to make good investment decisions.

#### Exaggerated claims

If you are told about investments that make a lot of money without much risk, don’t believe it. If you think an adviser made exaggerated or unrealistic claims about investment risk or returns, report this to your state securities or insurance regulator. Like all other consumer issues, if it sounds too good to be true, it probably is.

### Resources

If an adviser is regulated by state or federal government, you can check the status of their license and find information about their professional history using these online resources:

**SEC Investment Adviser Public Disclosure Database**  
[adviserinfo.sec.gov](http://adviserinfo.sec.gov)

**Your state insurance regulator**  
[naic.org](http://naic.org)

**Your state securities regulator**  
[nasaa.org](http://nasaa.org)

**FINRA Broker Check**  
[brokercheck.finra.org/Search/Search.aspx](http://brokercheck.finra.org/Search/Search.aspx)

**For helpful tools and good information on investing**  
[investor.gov](http://investor.gov)

CFPB has over 1,000 questions and answers for consumers, some specifically for servicemembers. Check out “Ask CFPB” at [consumerfinance.gov](http://consumerfinance.gov). For additional information for servicemembers, email us at [military@cfpb.gov](mailto:military@cfpb.gov).

# How to spot frauds and scams

---

You've heard the saying "If it sounds too good to be true, it probably is." Common scams change, but you can protect yourself by learning how to spot the red flags that can signal a scam.

## 1. Promises of guaranteed riches

Scammers dangle the prospect of wealth to convince you to put your money into their deals. When the seller focuses only on how much money you can make, beware.

### What you'll hear

"You never have to work again." "No risk."  
"You're guaranteed to make money."

### The truth

All real investments carry risk. Ask questions about where the profits come from, and what the risks are.

## 2. Pressure to act right now

Be cautious when you hear a sales pitch urging you to act immediately before an opportunity disappears.

### What you'll hear

"This is your chance to get in on the ground floor."  
"If you don't take this, someone else will."



### The truth

The fraudster may be trying to keep you from thinking carefully, researching, and talking to your family or a trusted adviser.

## 3. Special opportunity just for you

Be careful when someone claims to have inside information that's not available to others. Keeping information secret is a sign there's something the scammer doesn't want others to see.

### What you'll hear

"This product is top secret." "I have inside information that no one else knows."

### The truth

A legitimate adviser gives you written disclosures, answers your questions, explains risks, and

discourages you from buying anything you don't understand.

#### 4. You've won!

Scammers say you've won the lottery or another big prize, but to collect, you have to pay an up-front fee or tax. Or, you'll be invited to a "free lunch" seminar that's marketed as educational, when in fact it's a staged sales event.

##### What you'll hear

"Congratulations, you've won the lottery!"

"Come to a free dinner."

##### The truth

You can't win a lottery you didn't enter, and you never have to pay to collect a real prize. Some companies offer "free lunch" seminars because they hope giving you something small will make you feel obligated to buy from them.

#### 5. I'm just like you

Promoters sometimes target a particular faith community, social group, or ethnic group and work hard to be accepted, so you're more likely to trust them. They'll ask you personal questions, then use your answers to figure out what sales pitch will most appeal to you.

##### What you'll hear

"Everyone is making money on this deal."

"Our church friends have all agreed."

##### The truth

Hucksters know you're less likely to ask questions if you trust them, so they use association with your friends, faith community, or social group as a shortcut to earn your trust.

#### 6. I'm specially trained

To earn your trust, salespeople tell you they have special certifications, qualifications, or credentials. They want you to think they're experts who know what's best for you.

##### What you'll hear

"I'm an expert adviser." "I've been managing these kinds of investments for two decades."

"I'm a certified specialist."

##### The truth

Credentials alone don't guarantee expertise or the quality of someone's training. It's up to you to find out if a qualification is valuable.



## Spend Plan

FINANCIAL GOALS
Short-Term Goal: less than 2 years
Medium-Term Goal: between 2-5 years
Long-Term Goal: over 5 years

INCOME		
Location or Zip Code		
ENTITLEMENTS	CURRENT	PROJECTED
Annual Pay		
Monthly Base Pay		
BAH (Housing)		
BAS		
OHA		
COLA		
Special Pay		
Hazard Duty Pay		
Flight Duty Pay		
Foreign Language Pay		
Family Separation Allowance		
Other Take Home Pay		
Military Retirement Pay		
Rental Home Income		
VA Benefits		
Child Support/Alimony		
Spouse Earnings (Take home pay)		
<b>TOTAL MONTHLY INCOME</b>	<b>\$</b>	<b>\$</b>

DEDUCTIONS	CURRENT	PROJECTED
FITW (Federal Income Tax Withheld)		
FICA (Social Security)		
FICA (Medicare)		
State Income Tax		
AFRH (Armed Forces Retirement Home)		
SGLI AND T-SGLI		
SGLI Family/Spouse		
Tricare Dental		
TSP		
SDP		
Partial Pay		
Advance Payments		
Montgomery GI Bill		
Child Support/Alimony Paid		
Bank Allotment		
Bank Allotment		
<b>TOTAL DEDUCTIONS</b>	\$	\$
<b>NET INCOME</b>	\$	\$

EXPENSES		
LOCATION		
LIVING EXPENSES	CURRENT	PROJECTED
<b>HOUSING</b>		
Maintenance/Repairs		
Furniture/Decorations		
Taxes		
Fees/HOA Fees/Pool Fees		
<b>UTILITIES</b>		
Cable/Satellite		
Internet		
Cell Phone/Phone Cards/Landline		
Electricity		
Natural Gas/Propane		
Water/Garbage/Sewage		
<b>TRANSPORTATION</b>		
Gasoline		
Maintenance/Repairs		
Taxi/Bus/Uber/Lyft/Train		
Taxes/Registration/Licensing		
Parking		
<b>FOOD</b>		
Dining Out		
Groceries		
Lunches		
Vending Machines		
<b>INSURANCE</b>		
Auto		
Renters/Home		
Dental		
Health Insurance		
Life Insurance		
<b>EXPENSES TOTAL - Page 1</b>	<b>\$</b>	<b>\$</b>

<b>LIVING EXPENSES</b>	<b>CURRENT</b>	<b>PROJECTED</b>
<b>HEALTHCARE</b>		
Dental		
Eye Care		
Doctor/Hospital/Urgent Care		
Prescriptions/Medications		
<b>CLOTHING</b>		
Laundry/Dry Cleaning		
New Clothing Purchase		
<b>CHILD CARE</b>		
Allowance		
Day Care		
Child Support		
Diapers/Wipes/Etc.		
<b>PET CARE</b>		
Food/Supplies		
Veterinarian/Grooming/Boarding		
Prescriptions/Medications		
<b>PERSONAL</b>		
Beauty Shop/Barber Shop		
Tobacco/Alcohol		
Health Club/Organizational Dues		
Personal Spending Fund		
Nails/Massage/Personal Grooming		
Personal Supplies		
<b>EDUCATION</b>		
Books /Supplies		
Lessons/Tutor		
Educational Materials		
<b>LEISURE/HOBBIES</b>		
Athletic Events/Sporting Events		
Books/Magazines		
<b>TOTAL EXPENSES – PAGE 2</b>	<b>\$</b>	<b>\$</b>

<b>LIVING EXPENSES</b>	<b>CURRENT</b>	<b>PROJECTED</b>
Computer Products		
Streaming Services		
Movie/Music Downloads		
DVDs & CDs		
<b>ENTERTAINMENT</b>		
Streaming Services		
Toys/Games		
Travel/Lodging		
Concerts/Theater		
<b>CONTRIBUTIONS</b>		
Charities (CFC)		
Religious Donations		
<b>GIFTS</b>		
Holiday/Birthday/Anniversary		
<b>MISCELLANEOUS</b>		
Deployment/TAD Expenses		
ATM Fees/Bank Fees		
Membership Fees		
<b>TOTAL EXPENSES – Page 3</b>	<b>\$</b>	<b>\$</b>
<b>TOTAL EXPENSES – Page 2</b>	<b>\$</b>	<b>\$</b>
<b>TOTAL EXPENSES – Page 1</b>	<b>\$</b>	<b>\$</b>
<b>GRAND TOTAL OF MONTHLY EXPENSES</b>	<b>\$</b>	<b>\$</b>

DEBT					
	CREDITOR	PURPOSE	ACTUAL PAYMENT	BALANCE	REMARKS (MONTHS BEHIND, PAID BY ALLOTMENT, ETC.)
1	Rent/ Mortgage				Rent
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
		TOTAL OWED	\$	\$	
		TOTAL MONTHLY DEBT PAYMENT	\$	\$	

DEBT-TO-INCOME RATIO CALCULATIONS			
	ACTUAL	PROJECTED	REMARKS
Total Income	\$	\$	
TOTAL MONTHLY DEBT PAYMENTS	\$	\$	
<b>SURPLUS OR DEFICIT</b>	\$	\$	
<b>DEBT-TO-INCOME RATIO</b>			

(Debt-to-Income Ratio equals total monthly debt payments divided by gross income and multiplied by 100.)



ASSETS	
Cash on Hand	
Checking Accounts	
Savings Accounts	
Emergency Savings	
Certificate of Deposit (CD)	
Cash Value of Life Insurance	
U.S. Savings Bonds	
Mutual Funds/Money Market	
Stocks/Bonds	
College Funds	
TSP	
401(k)/403(b)	
IRA/Pensions	
<b>TOTAL SAVINGS ASSETS</b>	<b>\$</b>
<b>REAL ESTATE (MARKET VALUE)</b>	
Primary Home	
Second Home	
Rental Property	
Other (Vacation Home/Trailer/Time Share)	
<b>TOTAL REAL ESTATE</b>	<b>\$</b>
<b>PERSONAL PROPERTY</b>	
Vehicles/Motorcycles/Boats	
Furniture	
Jewelry	
Other (Collectibles, etc.)	
<b>TOTAL PERSONAL PROPERTY</b>	<b>\$</b>
<b>TOTAL ASSETS</b>	<b>\$</b>

LIABILITIES	
Signature Loans	
Auto Loans or Leases	
Consolidation Loans	
Student Loans	
MCX/AAFES (Star Card)	
Department Store Credit Cards	
Other Credit Cards	
NMCRS (Loan)	
Other Loans (Friends, Relatives, etc.)	
Advance/Overpayments	
<b>TOTAL DEBT LIABILITIES</b>	<b>\$</b>
<b>MORTGAGES-BALANCE DUE</b>	
Primary Home	
Second Home	
Rental Property	
Other (Vacation Home/Trailer/Time Share)	
<b>TOTAL MORTGAGES-BALANCE DUE</b>	<b>\$</b>
<b>TOTAL ASSETS</b>	<b>\$</b>
<b>TOTAL LIABILITIES</b>	<b>\$</b>
<b>NET WORTH (ASSETS-LIABILITIES)</b>	<b>\$</b>

SUMMARY		
TOTAL	ACTUAL	PROJECTED
Income		
Living Expenses		
Monthly Debt Payments		
Total Savings Asset		
Total Debt Liability		
Net Worth		
Monthly Surplus or Deficit	\$	
DEBT-TO-INCOME RATIO		

ACTION PLAN
INCREASE INCOME
DECREASE LIVING EXPENSES
DECREASE DEBT