

FINANCIAL PLANNING FOR DEPLOYMENT

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FINANCIAL PLANNING FOR DEPLOYMENT



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Purpose of Financial Planning for Pre-Deployment and Deployment

Emphasis should be placed on the need for careful financial planning before, during, and after deployment so that you won't be in danger of losing financial independence before it can be enjoyed. For married members, if you haven't already done so, it is encouraged to talk with your spouse about a financial plan for deployment. If everybody has a plan in place prior to deployment, it will take some stress out of an already stressful situation.

The following information will be covered in this Module

- Legal Considerations
- Financial Planning
- Banking Issues
- Paying Bills
- Credit Issues
- Housing Concerns
- Vehicles
- Tax Issues
- Dealing with Financial Emergencies

Questions to ask yourselves

- How many of you have been on deployment before?
- What are some of your financial concerns about deployment?
- What plans have you made already?
- What item(s) cost the most during the last deployment?

- Were you able to save any money during the last deployment? If you were able to, what did you do with the extra cash when you came home?
- What was your most significant financial challenge?

Need for Pre-Deployment Financial Planning

Why should you even bother having a financial plan for deployment? Here are three simple reasons:

1. **Increase spending power** - How many of you would like a 10% raise right now? You can give yourself one. By having a financial plan in place before you deploy that is both realistic and flexible enough to follow during and after the deployment, you should be able to increase your spending power by at least 10%.
2. **Eliminate stress** - It is very difficult and stressful to handle financial situations from a long distance. If you have a solid financial plan prior to your departure, much of this stress can be eliminated.
3. **Be ready for the future** - If the financial plan works well during deployment, then why change a good thing? It will be easy to stick with it long after you return, and the next deployment will probably go much smoother financially.

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Legal Considerations

Important documents

Part of your financial plan should include an update of all your important documents. Each personal situation is different and you may have a variety of different documents to review.

Wills

Everyone should have a will, whether you are single or married. If you have children, you want to be able to choose a guardian for your children should you die unexpectedly. A will allows you to have a say in how your assets are to be distributed. If you are married all assets normally go to your spouse, but you may want to divide your estate differently or even set up a trust for your children. See Navy Legal Services to have your will drafted. Your command may sponsor a “Legal Day” and have a Legal Officer come to assist people draft wills and powers of attorney. All of these services are free of charge.

- Check page 2 of your service record to make sure your designation of next of kin is still correct. A large number of page 2’s are inaccurate.



- Make sure that the beneficiary designated for your Servicemen's Group Life Insurance policy (SGLI) is accurate. Funds will be paid to whomever you have listed so be certain to update this information if you have a change in your family member status.

Power of Attorney

- A General Power of Attorney gives someone else the authority to act on your behalf for the entire period of time indicated. It is recommended that you make the period for the length of the deployment or no longer than one year. Since the appointed person has the power to do anything on behalf of the person giving the power, it is very easy to take advantage of these documents. Many businesses do not accept this type of POA and Legal will recommend against them.
- Specific (or Special; both terms are used interchangeably) Power of Attorney: gives someone else the authority to act in your behalf in one specific area — i.e., selling a car, buying a car, selling or buying a home, signing tax returns, etc. It is limited to the specific act noted on the document. Businesses prefer this type of POA since it is less likely to be used abusively or fraudulently.
- For single parents it may be wise to give a special medical power of attorney to your childcare provider to handle any medical emergencies that may arise while you are deployed.
- Make absolutely sure that you trust the person to whom you give any power of attorney. Many sailors have had their financial lives destroyed by people who abused the power of attorney privilege. A general POA gives complete control in your personal decisions so be careful about trusting someone who does not have deep ties to you.
- If you do chose to give someone a power of attorney, make sure it is current. Have Legal draft a new one before the next deployment (or at least once every two years). Most businesses will not accept an outdated POA.

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Financial Planning/Budgeting

Planning worksheet

A workable and flexible financial plan is the single most important tool you will need to make your deployment a financial success. Good financial planning principles include determining where you are now and where you want to go financially. Once you know that, you can ask yourself how you are going to get there. Whether planning for a six-month deployment or a six-year saving plan, the principles are the same. Plan for the best-case scenario, prepare for the worst case, and track your progress according to your plan. If you have a monthly surplus, now is the time to think about what you can do with the money. If you have a deficit, you need to visit your CFS and work out a way to handle the situation.

Adjust for pay changes

Make budget adjustments for any possible pay changes such as sea pay starting or stopping, after the deployment, family separation allowance, pay increases with promotions, reenlistment bonuses, etc. Review your LES for a list of what allowances you are currently receiving. You will also need to make adjustments for your second income if you are working another job. You may also need to take into account additional childcare costs. Many couples work alternate shifts to avoid childcare and this will obviously be changed.

Be realistic

Budget as realistically as possible for expenses that you will have on deployment. Don't forget to include amounts for port visits, phone calls, souvenirs, a few meals off the ship, etc. Married personnel need to budget realistically for both partners. There is nothing wrong with both of you saving some money during the deployment. In fact, you should try to save so you will have some extra money to spend when you both get back together. However, allowances must be made for some recreation to allow everyone a break — both the individual on deployment and the family members back home.

Infrequent expenses

Budget for infrequent expenses such as; insurance premiums, car maintenance, home maintenance and tax payments, as well as regular monthly items.

Contribute to savings

- Contribute regularly to a savings account if you aren't already doing so. It doesn't matter what you put in (\$10, \$25, \$50 per month)—it is the fact that you contribute to it regularly that counts! Setting up an "S" allotment is generally the best way to go. "Pay yourself first." Start saving by allotment before you deploy. This will make it a habit and help you to build a reserve. If you are not already participating in the Thrift Savings Plan (TSP), consider it as a savings opportunity.
- If the non-deployed spouse has never worked with the family finances before, have him/her practice with your agreed upon system at least a month or two before the deployment, so you will have a chance to iron out any difficulties. Make it very clear that both parties understand beforehand exactly who will be paying what bills.

Combat Overspending

For those of you who have been deployed before, what kind of situations did you find yourself in when you went over your spending limits?

- What kind of scams can you remember from some of your previous deployments?
- Comparison shop. Ask yourself if you can get the same item elsewhere for a lower price. Watch out for overpricing particularly near fleet landing locations. Many people succumb to the allure of buying when overseas but in reality they may find a better quality and lower priced product at home. If you are having something wrapped, watch carefully to make sure you are getting what you paid for.
- When we become lonely or depressed it is often easy spend too much without even realizing what we are doing. Buying gifts to prove your love for family, friends and sweethearts can get expensive. They may get more long lasting satisfaction if you send letters, tapes, photos, etc.
- Long distance phone charges from overseas can be very expensive. One good guideline is to try to use phone calls to exchange emotions (expressions of love, letting everyone in the family hear each other's voice). Use letters and e-mail to exchange information (all the details of a child's birthday party, problems with the kids, schooling, the fact that the CV joints on the car went out and why it is costing so much to fix, etc.). One way to avoid overspending is to purchase prepaid phone cards with set time limits.
- Upon return, you may find yourself tempted to dip into your savings to satisfy your need for instant gratification and to fund lifestyle changes. Beware of this and think about your real reasons for spending.



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Banking Issues

Concerns for single service members

- Split pay is not just for married personnel. Consider estimating how much you will need each month during the deployment and then arrange to be paid that aboard ship. The rest stays in your account back home, leaving less temptation to overspend. You can always write a check if you really need extra for a special gift or a side trip during a port visit.
- Make sure your direct deposit is operating smoothly. Remember balancing your checkbook properly becomes even more important on deployment, where lack of mail service may greatly delay receipt of bank statements. Consider leaving a “cushion” in your checking account at all times, or ask your financial institution about overdraft protection.

Concerns for married service members

- How you handle your finances as a family is up to you, and there are several ways to handle things successfully. You may want to consider establishing a separate checking account for each of you with the same financial institution. Direct Deposit in this situation is ideal because you can arrange with the institution to have a set amount deposited into either checking account, with the remainder going to the other account. This will prevent confusion; you will each be responsible for keeping accurate records of your own account and there won't be any question as to who wrote which check for what amount.
- If either spouse is unfamiliar with handling a separate account, or the couple wishes to avoid the hassle of more than one checking account, split pay may be the answer. Most of the money would go into the checking account back home, while the sailor has an amount available on ship each payday during the deployment. One disadvantage of this is that as monthly pay fluctuates, the non-deploying spouse's income will change. This can make budgeting more difficult.
- Another option is a dependent or "D" allotment. The majority of the paycheck can be sent to the spouse as an allotment, with the service member receiving the remainder in his or her account. The allotment is sent to the spouse's checking account. This is particularly useful if a couple has different accounts at different financial institutions. One advantage of using a "D" allotment is that the spouse at home, who will normally be paying most of the bills, is guaranteed to receive the same amount every month, which is useful for budgeting purposes. Any fluctuations in pay will occur in the deploying member's account. If you do decide on a "D" allotment, try to start it at least 60 days prior to deployment to let your budget adjust to the new financial situation. Once it is in place, do not stop the allotment. Remember operational commitments could delay your homecoming, and once the allotment is in place it will make future deployments easier.
 - Allotments can be great tools for handling your cash flow. There are many different types of allotments that you can utilize for your financial plan, such as Dependent, Bond, Savings, Charity, Home, Insurance, etc.

Things to avoid

Although there are several good ways to handle finances on deployment there are also some ways that do not tend to work well.

- The worst method of handling finances on deployment is for the deploying spouse to keep the paycheck and/or the checkbook and to send money orders to the family back home. Mail service on deployment is frequently delayed and often unreliable. There is also the chance of loss, which would further delay money to the family.

- Another bad method is splitting check pads. Splitting check pads between account holders in a joint account is not the way to go. It leads to confusion and, eventually, one or more bounced checks.

Whatever system you use, make sure both parties understand and are comfortable with it. It is usually best to try to get something that works both during and after deployment. Once your system is in place, it will eliminate some of the hassle and stress in preparing for the next deployment (particularly if it is a sudden one!). If there are any pay problems during the deployment, it may require dealing with your financial institution, or with DFAS, or both. Your financial institution will deal with anyone whose name is on your joint account. However, DFAS will not give any pay information to a spouse (or anyone else) unless they first receive a faxed copy of a power of attorney authorizing them to do so.

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Paying Bills

Paying on time

Even though you will be away from home, there will still be bills back home that will need to be paid. Single folks may need to continue payments on car loans, insurance, and credit cards while married folks may have these as well as other family expenses. Paying bills in a timely manner so as not to adversely affect your credit rating can be a challenge while on deployment.

- **Allotments** - Use allotments or automatic drafts from your checking account whenever possible to make payments (mortgage, car payments, insurance, etc.). See if your bank or credit union has any other automatic bill paying services you can use. Most companies and lending institutions have a direct payment option. Some even offer incentives for you to use it because it's cheaper and easier for them too.
- **Notify creditors** - For those bills you intend to pay yourself while deployed, notify creditors well in advance, so you know prior to departure that your bills will reach you aboard ship. Pay bills immediately when they arrive; even then, some payments may arrive late due to mail delays. Keep creditors informed. Remember, you can't just automatically pay ahead on an installment loan, such as a car payment or credit card bill. If you pay three times the minimum or scheduled monthly payment for a large debt, you normally still owe the next (minimum) monthly payment, on schedule, the following month, unless you make special arrangements in advance with the creditor (get it in writing!).
- **Money Orders** - Money orders are time consuming and require more record keeping. If using money orders, record the order numbers, dates, amount, who it is going to, and when mailed. Keep all receipts.
- **Trusting others** - If you have someone else paying your bills for you, make sure you have complete trust, both in the person and in that person's ability to manage money in a responsible manner.

Credit Issues

You may find that you will be using credit more frequently when on a deployment, either intentionally or unintentionally. As part of your financial plan for deployment consider the following tips on how to handle your use of credit.

1. Establish a credit record

If you currently do not have much of a credit history, you may want to use the deployment as an opportunity to establish credit with an allotment, followed by a share-secured loan for a small amount. If you currently have a good credit rating, the best way to keep it is to make sure the bills are paid on time.

2. Plan card usage

If you are married, decide who will be using which credit cards while you are deployed and stick to that plan! Visa is the most widely accepted credit card in most foreign ports, particularly in Europe. You may want to have access to several forms of payment (travelers checks, some cash, a Visa/Master Card, etc.).

3. Keep a running balance

Keep a running tally of your credit card balance. Remember that bills may be delayed in the mail. Make sure you don't run up a bigger balance than you can afford to repay or exceed your credit limit. Credit companies will charge over-the-limit fees.

4. Hold on to receipts

Keep the copies of any credit card transaction you make in order to minimize credit card fraud. Keep a close eye on your card; use all the normal precautions and look over your statements to make sure you recognize all the charges listed.

5. Exchange rate difference

Using a credit card for a purchase will probably give you a better exchange rate than most places in town and may even beat the money exchange vendor on ship. Be aware, however, that the rate may be different (somewhat better or worse) when the credit card company bills you than when you made the purchase.

6. Phone cards

Understand the billing terms of long distance phone companies and their calling cards. The terms and rules are on the statement you get when the company first sends you the calling card. Be certain to get a listing of country codes so that you know how to get through to places you want to call. You may wish to

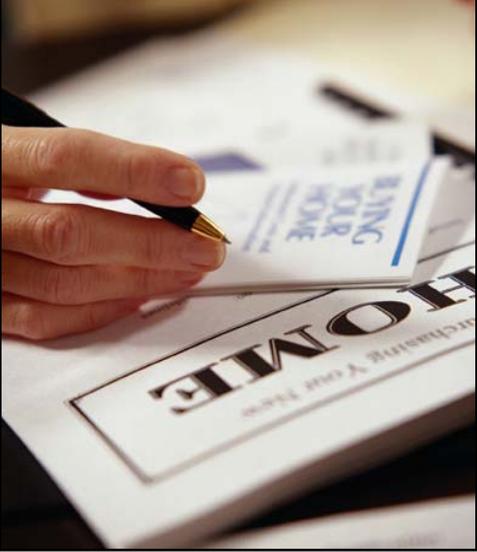
contact the issuer to ask about overseas usage and access codes (these often differ when calling from outside the US). Also ask if they have a military plan which sets a per minute charge for port calls, usually for a monthly fee. A good choice is to purchase the onboard-prepaid phone cards, which allow you to use the phone onboard at a cost of \$1.00 per minute (often lots less then calls from the pier).

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Housing Concerns

Issues for Renters

How many are single, living out in town, and are planning to keep your apartment while you are deployed?

- **Leases** - The military clause does not give a service member the right to terminate a lease just because he/she is deploying—it only works if PCS orders are received for more than 50 miles from the present duty station, or if the service member is discharged from the service. Some landlords may be sympathetic to the deployment and allow a service member to break a lease. That is an exception, not the law. If your lease expires while you are on deployment and you do not notify the landlord of your intentions, usually the lease will automatically be renewed and you will be liable for paying rent, even if you did not want to renew the lease. Check this out before you deploy. If you are sharing an apartment, it is wise to have your roommates sign the lease as co-tenants so if something happens, you won't be fully responsible. If you have any questions about your lease, have a Legal Officer review it.
- 
- The image shows a close-up of a person's hand holding a blue pen, poised to sign a document. The document has the word 'HOME' printed in large, bold, black letters. Above it, there is a smaller, partially visible document with the text 'BRING YOUR HOME' and 'HOME' below it. The background is blurred, focusing attention on the hand and the documents.
- **Payments** - Paying rent while you are gone: Make arrangements in advance with your landlord about how you will pay rent and what type of security is available for your apartment and its contents. Do not write checks in advance and date them for each month. Postdating checks is illegal in most states. If those checks are cashed early, the landlord's bank might clear them. If that happens, and the check bounces, you would have no recourse. Leave self-addressed, stamped envelopes that the landlord can use to contact you in case of emergency. Get any agreements in writing and keep copies of any receipts. Make plans for keeping utility payments up to date. If your utilities are shut-off you will be required to pay deposits and reconnect fees to get them turned on again later.
 - **Insurance** - Make sure you have renters' insurance for the contents of your apartment, (whether you are deployed or not). The cost to you will probably be

between \$10 and \$15 per month at the most. Contact the company to let them know you will be out of town for an extended period to make certain you remain covered.

Issues for Homeowners

How many of you are homeowners?

- **Maintenance** - If you will be leaving a spouse, make certain they know the maintenance schedules for home items like the furnace, a/c, etc. and are comfortable with making repairs. Leave a list of repairman phone numbers. If necessary, schedule in advance with repair services for regular maintenance issues.
- **Payments** - One thing you definitely don't want is to fall behind on house payments. Creditors can and do foreclose on property. Check with your lender about setting up a direct payment plan that will ensure your payments arrive on time.
- **Renting** - You may consider renting out your home while you are away or allowing someone to live there free. There are some benefits to this since your home is not empty. But be certain to thoroughly check out any potential inhabitants. Run a credit check on renters to make sure they can pay the rent and require a direct deposit to your account. It is also a good idea to work through a rental agent when you are away so that they can be responsible to maintenance issues.

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Vehicles

Storage

- Decide where you want to keep your vehicle and who will take care of it. Leave them the name of a trusted mechanic or auto repair shop. One option to consider is long-term storage. If available, vehicle storage on base may be your safest bet.
- If you have proof of insurance, some storage facilities will provide you with a form to send to your insurance company to apply for a premium discount since you won't be driving your car during the deployment and their lot is insured and has security. They may also provide other services such as state inspection, tune-ups, and car repairs. However, some lots do not provide monthly start-ups and don't provide applications for insurance discounts. Their lots may not be insured. Cars may only be parked behind a locked chain link fence with a routine security patrol.



- Keep insurance payments, tags and inspection stickers current. Contact your insurance company and let them know your car will be off the road. Most insurers offer an inexpensive coverage for this type of situation.

Friends

If you decide to leave your car with friends, be sure to notify your insurance company of alternate drivers. Determine who will be responsible for regular maintenance and for accidents should one occur while they are driving.

Maintenance

Have as much regular maintenance done as possible before you deploy; make sure the car will be ready for you when you get home. Married sailors need to ensure that their family has safe, reliable transportation while they are gone. Make sure your spouse has a list of any maintenance that will need to be done on the car, as well as the names and numbers of where you want it taken to have repair work done.

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Tax Issues

Free services

If income tax season will take place during your deployment, decide how you want to take care of having your tax return completed. Tax assistance may be available, particularly on larger ships. At home, tax centers on base offer free tax preparation, including electronic filing.

Leave POA and form 2848

If either spouse wants to file the joint return, you need to complete and both sign form 2848 and leave it with the spouse preparing the return. Remember you may also need other paperwork such as childcare information, home mortgage interest, etc., to complete your return.

Electronic filing

This allows for a much faster refund. Remember, if you filed a joint return and have the refund check mailed to you, both parties must endorse the check. This can be avoided by having it directly deposited into a joint account (checking or savings).

Contact VITA

If you have any questions regarding taxes, contact your command VITA (Volunteer Income Tax Assistance) representative, your CFS, or your Legal Officer.

Extensions

If you want to wait until your return from deployment to do your taxes, you have an automatic 60-day extension (until June 15) to file your return and pay any federal income tax due. Write “US Navy – Deployed outside CONUS” on top of the tax form when you file. If you need more time, you can file for a 4-month extension using Form 4868. If you are in a combat zone, the deadline for filing your return, paying any tax due, and filing a claim for refund is extended for 180 days.

***IMPORTANT:** An extension to file is not an extension to pay. If you expect to owe money, you will have to pay by April 15 or owe interest and penalties.*

Also, do not forget about your state income tax return if your home state requires one. If your spouse is employed or if you had a part time job during the year before leaving on deployment, you may each have to file a State Income Tax return.

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Financial Emergencies

Prior to departure

You can prepare in advance for these unexpected occurrences

- **Emergency fund:** Establish an emergency fund for unexpected expenses. It is recommended that you have a least one month’s worth of pay saved as an emergency fund to cover the possibility of car or home appliance repairs, or sudden travel expenses or return home for a family emergency. Remember, if you have to return on emergency leave, the Navy will pay to get you only as far as the base — you must pay the remainder.
- **NMCRS Pre-authorization:** If your spouse does not have a general power of attorney, go to NMCRS and fill out a pre-authorization form. This will allow your spouse to get limited financial assistance (up to \$2,500) in an emergency from Navy Relief without having to wait for your approval via message traffic. You will still be notified, and NMCRS must still approve the loan using their normal guidelines. For further information on this, contact NMCRS.
- **Recordkeeping system:** Set up a record keeping system with names and phone numbers of repair people, warranty information, account numbers, etc., so this information will be readily available to your spouse or whoever may be handling your affairs.

Avoid EZ credit

If you have no alternate plan for a financial emergency, you or your family might be forced to depend on so-called “E-Z” credit sources such as finance companies and credit cards. Remember, in many states there is no law limiting the amount of

interest that a merchant can charge you for financing a loan. Credit sources who say, “We finance E1 and up” are usually the highest cost lenders.

Leave contact information

Make sure your parents or other close relatives have your complete, official mailing address and know your social security number. Also, make sure they know how to contact you through the Red Cross if there is an emergency.

Take care of paperwork

Married personnel- make sure your family is properly enrolled in DEERS and TRICARE, and check your family members’ ID cards to make sure that they will not expire during the deployment. If your spouse or children will be traveling during your deployment, make sure your spouse knows how to get a care authorization from TRICARE in case they need medical attention outside the area.

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Sources of Help

If members of your family need any type of financial counseling or assistance, the following agencies can help. It may be wise to have their telephone numbers near the phone. You may want to highlight the following:

- If you need any personal financial information or documentary assistance, talk to your Command Financial Specialist or Navy Legal Services.
- Fleet & Family Support Center.
- 1-800-FSC-LINE - a 24-hour hotline after hours to answer concerns and to get help accessing emergency financial assistance through Navy and Marine Corps Relief Society.
- Navy and Marine Corps Relief Society (NMCRS) is a source of financial assistance during an emergency. They are able to assist with basic living expenses such as rent, utilities, food, medical bills, essential car repairs and emergency transportation. Every form of assistance is decided on a case-by-case basis.
- American Red Cross is another important resource. American Red Cross provides official verification of an emergency situation within the service member’s immediate family and transmits a message to the command. Red Cross cannot grant emergency leave. The Commanding Officer is the only one with the authority to grant or deny emergency leave. When a family member is sending a message, they need to include the name and relationship of the person the message is about, and the name of the doctor, hospital, or funeral home as appropriate.

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Conclusion

After defending liberty, shouldn't you be able to enjoy it? With smart financial choices, you will have control of your financial future rather than letting it have control over you.