RETIREMENT PLAN
EVALUATING TOTAL MILITARY COMPENSATION

SALARY
+
BENEFITS
=
COMPENSATION
ACTIVITY: HIDDEN BENEFITS

What are the hidden benefits of military service?
## PAY AND ALLOWANCES

### PAY (taxable)
- Basic Pay
- Career Sea Pay
- Imminent Danger Pay
- Hardship Duty Pay
- Diving Duty Pay
- Flight Deck Duty Pay
- Submarine Duty Incentive Pay
- Selective Reenlistment Bonus (SRB)

### ALLOWANCES (not taxable)
- Housing (BAH)
- Subsistence (BAS)
- Clothing allowance
- Dislocation Allowance (DLA)
- Family Separation (FSA)
- Family Subsistence Supplemental Allowance (FSSA)
OTHER COMPENSATION

- State tax waivers
- Cost of living allowance
- FICA contributions
E-4 with two years on active duty

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base pay</td>
<td>$24,000</td>
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<tr>
<td>Housing</td>
<td>$6,300</td>
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<tr>
<td>BAS</td>
<td>$4,400</td>
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<tr>
<td>FICA</td>
<td>$1,500  (employer contribution)</td>
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<tr>
<td>Total</td>
<td>$36,200</td>
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</tbody>
</table>
EVALUATING CIVILIAN COMPENSATION

Assess benefits

Effect on income
SALARY vs. COMPENSATION

COMPENSATION

- Salary
- Retirement plan
- Vacation time
- Health insurance
- Life insurance
HEALTH BENEFITS

Single: $1000/year = $80/month
Family: $5000/year = $400/month

Job A
$30,000 + health benefits
100% of premium
$500 deductible
$30,000
- $500 deductible
$29,500

Job B
$32,000 + health benefits
80% of premium
$1000 deductible
$32,000
- $2,400 premium @ $200/month
- $1,000 deductible
$28,600
**LIFE INSURANCE**

**SGLI**
- Automatic enrollment
- $400,000 maximum

**Civilian Employer**
- May be for little or no cost
- Equal to one year’s salary or more
“The amount of money needed to sustain a certain level of living, including basic expenses such as housing, food, taxes, and healthcare. Cost of living is often used when comparing how expensive it is to live in one city versus another.”

Investopedia
COST OF LIVING

I live in
 Hampton Roads-SE Virginia

I want to live in
 DC Washington-Arlington-Alexandria

Comparable salary in
 Washington-Arlington-Alexandria, DC
 $73,911

Price difference in Washington-Arlington-Alexandria, DC
- Groceries: 20% more
- Housing: 170% more
- Utilities: 6% less
- Transportation: 14% more
- Health Care: 12% less

Source: C2ER, December 2015
Military tax advantages

- Allowances not taxed
- No sales tax at NEX
- Tax exclusion zones
- State taxes may be waived
- Personal property taxes
OTHER COMPENSATION

- relocation assistance
- bonuses
- paid vacation
- transportation allowance
- 401k plan contributions
- holidays
- education benefits
- sick leave
$50/month for 30 years

0% interest = $18,000

5% interest = $40,000

8% interest = $68,000
FACTORS TO CONSIDER

- Pre-retirement income
- Retirement date
- Life expectancy
ACTIVITY: WHEN I RETIRE...
MILITARY RETIREMENT PLANS

Current system

20%

New system

80%

Thrift Savings Plan

Defined benefit

Lump-sum option
THRIFT SAVINGS PLAN

Defined contribution
• You contribute a percentage of your salary
• Long-term savings and investment plan

Advantages of TSP
• Automatic payroll deductions
• Investment options
• Withdrawal options

Changes
• DoD match up to 5% of base pay
• Automatic enrollment if enlist after January 1, 2018
**DEFINED BENEFIT**

**Current plan**
Age at enlistment
+ 20 years
50 % Base pay
2.5 % each additional year

**New plan**
Age at enlistment
+ 20 years
40 % Base pay
2 % each additional year
LUMP-SUM OPTIONS

New plan

• Single payment 25 or 50% of anticipated benefits until age 60
• Remainder continues as monthly pension

Enlisted before 1 January, 2018 and less than 12 years of service?
You can choose between the current and new plans!
PREPARING FOR CIVILIAN RETIREMENT

Pension plans
Individual Retirement Accounts
EMPLOYER PENSION PLANS

- Defined benefit
- Defined contribution
DEFINED BENEFIT

Traditional “pension”

10% of workers

Being eliminated
DEFINED CONTRIBUTION

Employee A

$50,000/year
Contributes 5% = $2,500
Employer match = $2,500
Total savings = $5,000

Decide how much
Choose the fund
Take money with you
INDIVIDUAL RETIREMENT ACCOUNTS

Traditional IRA
- Deduct contribution from taxes
- Pay taxes when you withdraw money

Roth IRA
- Cannot deduct contribution from taxes
- No taxes on distributions
- Minimizes taxes at retirement

Rollover IRA
- Use funds from another retirement account
- Not a separate type of account
- Move funds to traditional or Roth IRA
ACTIVITY: WHEN I RETIRE...REVISITED

- Support desired lifestyle
- Obtain information
- Military financial benefits
- Achieve dream retirement
- Military retirement benefits
- Civilian retirement plans
- Plan your financial future
FINANCIAL PLANNING WRAP-UP

- Military compensation
- Civilian compensation
- Military retirement
- Civilian retirement
- “Light bulb” moment
FINANCIAL PLANNING WRAP-UP

**FFSC financial workshops**

- Military Pay Issues
- Planning for Your Retirement
- Saving and Investing
- Smart Transition Planning
- Thrift Savings Plan