PERSONAL FINANCIAL PLANNING FOR TRANSITION

Financial Planning for your Future

Participant Guide September 2015

What can the VEC™ do for you? A lot!

Military Skills Translator

Translate your military skills and experience into language that civilian employers will understand.

Profile and Résumé Builder

Import results from the skills translator into an online profile.

Veterans Job Bank

Search over 1.7 million jobs with federal, state, local government, and private sector employers.

Employer Commitments

See the more than 7,000 registered employers that have pledged to hire Veterans.

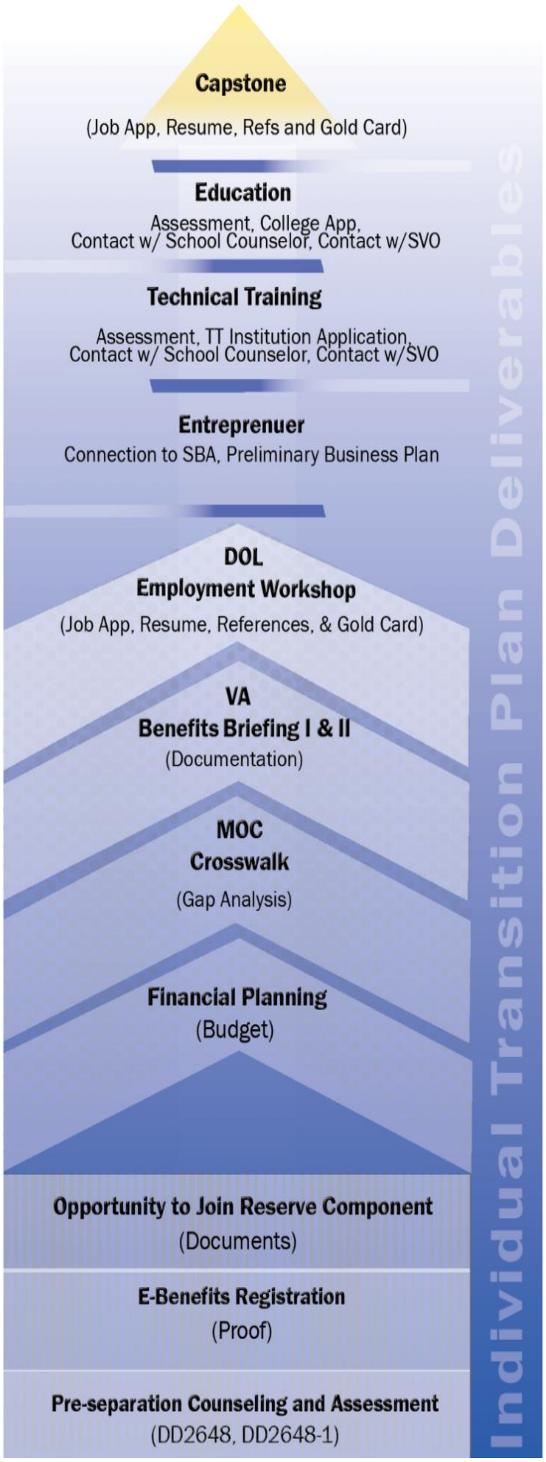
Other Resources

Access resources to help you take advantage of special government and partner programs, such as disability and assistive technology.

Free Services

Upload your LinkedIn profile to the VEC™ in a few clicks and get access to a one-year free Job Seeker Subscription. Also take advantage of a free certificate through Coursera.

www.ebenefits.va.gov/jobs



Capstone
Service members participate in Capstone to validate and verify that they are prepared to be successful following military service by producing documentation that they meet all Career Readiness Standards (CRS).

Accessing Higher Education Track
Guides and assists Service members pursing college education with preparation for the college application process. Topics covered include identifying educational goals finding education funding and researching and comparing institutions.

Career Technical Training Track
Guides and assists Service members pursing career technical training with preparing for researching and selecting institutions and technical fields.

Entrepreneurship Track
Service members pursing self-employment in the private or non-profit sectors learn about the challenges faced by entrepreneurs; the benefits and realities of entrepreneurship, and the steps toward business ownership.

DOL Employment Workshop (DOLEW)
Informs and assists transitioning Service members with preparation of the Tools and steps required for a successful transition to civilian employment.

VA Benefits Briefings I & II
Informs transitioning Service members of their Veterans benefits options.

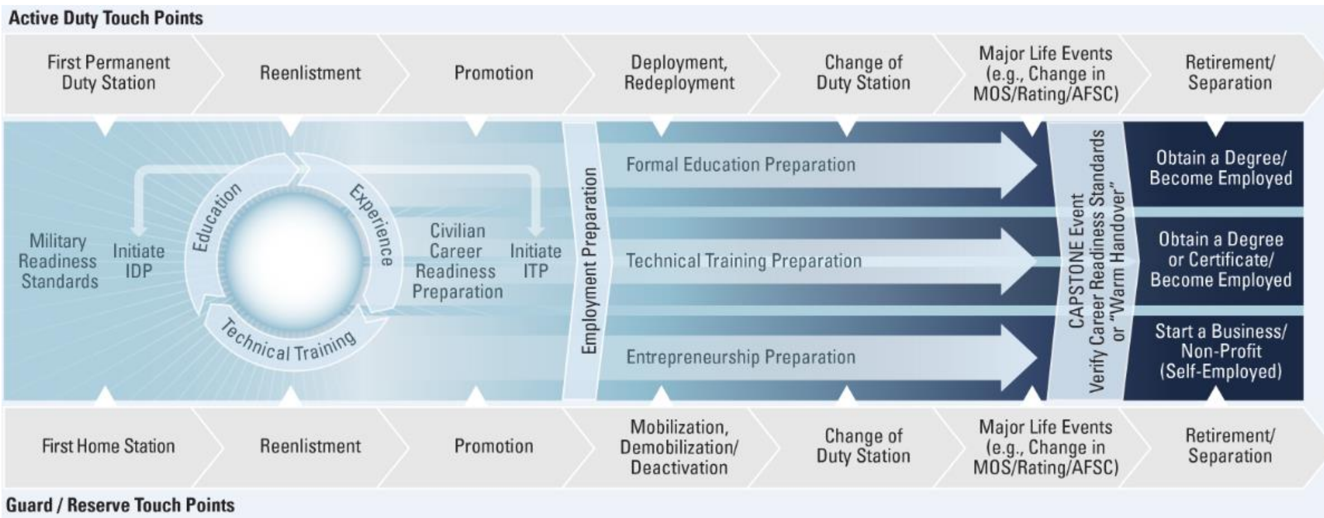
MOC Crosswalk
Translate military skills, training and experience into civilian skills, education and credentialing appropriate for civilian jobs.

Financial Planning for Transition
Provided information and tools needed to identify financial responsibilities, obligations and goals after separation form the military.

Continuum of Military Service Opportunity Counseling
Informs Service members of the opportunity to continue their military service by joining a Reserve Component.

E-Benefits Registration
Provides web-based information to Service members, Veterans, and their family members on how to access Veteran benefits, resources, services, and support.

Pre-Separation Counseling
Introduces Service members to the full range of transition programs and services available.



Military Life Cycle Model

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Overview

Preface

This module provides the necessary background and tools to help Service members develop the financial aspects of their transition goals and a written plan to achieve those goals.

Disclaimer

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Sub-Modules

1.1 Develop Your Spending Plan
1.2 Analyze your Credit Report and Scores
1.3 Evaluate Salary and Total Compensation
1.4 Leveraging Resources for Your Financial Future
1.5 Evaluate the Cost of Living
1.6 Understand How Taxes Change

Competencies

Completion of a working/realistic spending plan for transition that will contain current spending, transitional spending, and future requirements.

Trainer Qualifications

A nationally accredited financial educator/counselor who is a government employee or government contractor should deliver this curriculum. (Reference DoDI – 1342.17).

Section 1.1: Develop Your Spending Plan

MODULE PREREQUISITE

Service members shall bring to class their most current End of Month (EOM) Leave and Earning Statement (LES), Individual Transition Plan (ITP) list of goals (career, location, and home options), list of expenses, list of debts, a recent credit report, and a calculator.

COMPETENCY

Be able to develop a post-transition 12-month spending plan.

LEARNING OBJECTIVES

Participants will:

- Define Personal Financial Goals
- Identify current financial situation by completing a financial spending plan
- Predict future requirements
- Create a financial spending plan, including the following sections:
    - Net worth statement
    - Income Statements
    - Saving & Expenses
    - Indebtedness/Summary Action Plan/Goals
    - Daily Expense/Spending Plan
- Develop a post-service, 12-month transition spending plan

INTRODUCTION

The Transition GPS Courses, including the Financial Planning modules, should help you determine your projected path. Understanding your current finances and taking what you have learned from the Transition GPS material will assist you in completing a current and 12-month post-transition budget.

Understand that as time goes on this might change but having an understanding of where you are, where you want to go and what actions to take to make your goals a reality is important for your financial future.

Using the *Financial Planning Worksheet*, a comprehensive financial planning tool, you will develop a picture of your financial life. You may be thinking, “Why are we going to devote all this time to developing a spending plan?” “Why has this been determined to be a key element of your transition?” Remember those goals that you established during your pre-separation counseling? Have you decided to attend college or career technical school when you get out; you will have VA educational benefits but they will not cover all the expenses. Some of you are going to jump right into the civilian job market — sometimes it takes a few months to find a job that will cover your expenses, debt, and goals while fulfilling your passion. How are you going to support yourself and/or your family in the meantime? Maybe you have decided to start your own business — it could take some time to realize a profit. Many new businesses struggle the first few years, how will you make ends meet during the lean years? Are you financially prepared? The spending plan is a tool that helps you build the financial part of your plan to meet your transitional goals.

For some of you, developing a spending plan might be a new experience, or it could have been awhile since you have reviewed it. Whatever your circumstances, it is important to look closely at the details of your fiscal life during this time of change. For the next few hours, you will work with the tools that will help you do just that. We will talk about your credit reports and scores, how to evaluate salary offers, compensation packages, cost of living and tax issues related to your transition. What if that great job offer requires you to live in another state? Civilian moves are different from military moves in a number of key aspects. Consider taxes, for example. How many of you are a legal resident of one state without state income tax but live in another that does have state income tax?

Typically, your military pay is only taxable in your state of residence. How many of you receive discounted rates on vehicle tags or military personal property tax waivers? You usually cannot do that as a civilian. All of these situations could have tax and cost of living implications.

What Is A Spending Plan?

A spending plan is simply a tool to assist you in reaching your goals. It is a written method to measure and manage the money that comes in and goes out of your pocket. A common name for a spending plan is a **budget**.

Characteristics of an Effective Spending Plan

- **A guide and servant – not a master.** Some people think of a budget or a spending plan much like a diet – "I have to suffer through this, and it will be painful, but hopefully in the end I'll achieve my goals." If your spending plan accounts for all of your needs but also for some of your wants, it won't feel restrictive. In fact, it should free you from worry!

- **Is not necessarily a down-to-the-penny accounting.** That is not to say it cannot be down to the penny, some people like to be that specific with their money. However, if you are not much of an accountant, do not worry. The spend plan process will help you build up to accurate and effective numbers.

- **Easy to understand.** In its simplest form, a spending plan is a list of money that comes in and money that goes out. It should not be any more complex than it needs to be for your situation.

- Although this program will introduce you to an eight-page tool, if your financial situation is straightforward, you may not need to use the complete form or a simpler form may work. Keep the process as simple as you can.

- **A reflection of your needs, wants, values and goals.** It should reflect the way you actually spend your money. Anyone that you share your fiscal life with should be involved in the budgeting process. For example, if you are married, your spouse should be included in discussing and completing the plan.

- **Based on current income, savings, expenses, and debt.** If you do not know what your current income, savings, expenses and debt are, estimate as closely as you can and update when you have correct numbers. Service members can usually list their income and savings easily, but listing expenses and debt may take more effort. After you have given it your best then you need to "test drive" your spend plan. That means that you need to track all of your expenses for 30 days. Make this as easy on yourself as possible. Some people like to write down all the expenses and spending as it happens—others will save all the receipts and tally up at the end of each week. Do what works for you! Tracking expenses daily is a powerful tool to determine where your money is going. When determining debt you should review your credit report to ensure you have not forgotten anything.

- **Practical and realistic.** It has to be based on reality. You may want to spend only $50 a month on gas for your car, but is that realistic? You may want to start riding your bike rather than driving, but is that practical? As you work through your spending plan, be sure to keep it real.

- **Flexible.** It should not be a straitjacket. Build in flexibility by adding in a cushion, or better yet, build up your emergency and reserve savings so you can be flexible when you need to be.

- **Provides for pleasures as well as necessities.** Service members and their families work hard for their money and make sacrifices every day that most civilians do not. It bears repeating that your spending plan needs not be so restrictive that you have no room for some of life's pleasures. There are times when everyone needs to cut back, but it is reasonable and expected that people will build into their spending plan some money for pleasures, as well as necessities.

- **Can be short term or long term.** A short-term budget is for something that is less than year from now that you are planning for and a long-term budget is more than 12 months.

- **Determine SMART Goals:** A budget should be SMART: Specific (list as much as you can and in detail including goals); Measurable (set criteria so you can see progress); Achievable (set steps and develop attitudes, abilities, skills, and financial change to reach them); Realistic (are you willing and able to work toward the goal); and Trackable/Timely (what is the timeline you need to achieve it)**.**

Why Is A Spending Plan Important?

Being specific on what you want to do when you transition, having a plan (e.g., budget) that you can measure as you go along, and setting action plans to make your goals achievable and realistic will help you track your progress and make your transition more rewarding.

- **Live within your income:** By putting everything down in black and white, and by planning and tracking spending, you will have a guide that keeps your spending in line with your financial goals and expectations.

- **Realize personal goals:** Part of developing a spending plan involves writing your goals down on paper and listing the steps needed to achieve those goals.

- **Maintain a good credit history:** The first step in having good credit is to pay your bills on time and a written spending plan provides the foundation for a great credit report. The ultimate goal of any spending plan is to build wealth, not debt, so that as your assets grow and your debt is minimized or eliminated and paid on time, your credit report will improve.

- **Get more for your money:** A spending plan is the single best way to help find "leaks" in your spending. Tracking your income and expenses, may help find money you didn't know you had. Perhaps you've been spending money on things that you don't really need or value. You may find there is money 'lost' – not knowing where some of you money goes. You should account for 100% of your money.

- **Reduce financial stress and arguments:** Planning income and expenses, writing down goals, and working together with your spouse on an agreed upon plan could greatly reduce financial stress in a relationship. Money is a top reason Service members experience stress on the job and one of the top things couples fight about – a written spending plan can help avoid these situations.

- **Achieve financial competence and confidence:** A spending plan can assist with reaching an important financial goal in your life –buying a house, financing a child's education, or retiring early. Imagine what it would feel like to be fully in control of your money, control expenses, with low debt, adequate savings, and an investment plan in place.

The Financial Planning Worksheet

In this portion of the module, you will spend time working through the Financial Planning Worksheet. It is a straightforward, yet comprehensive budget document.

The table below highlights the major components and organization of the worksheet.

Worksheet Components	Worksheet Organization	Budget Elements
• Net worth Statement • Monthly Income • Monthly Savings Expenses • Expense Tracking Form • Indebtedness • Action Plan (Goals) • 12-Month Budget	• Determine your net worth • Determine current income status • Use Transition GPS tools to: ○ determine future salary and cost of living objectives ○ determine future income, savings, expenses, and debt • Create current and projected Action Plans • Create a 12-month, post-transition budget	• Income • Savings • Expenses • Debts

NET WORTH

Assessing your net worth may be helpful to you during your transition. Determining your assets and measuring their growth can be an indicator of how you are progressing in your overall financial plan. Net worth can be explained as though all assets were sold and the cash was used to pay debts. The amount of cash left after debts are paid is the net worth.

Assets are things like cash you have on hand, the amount in your checking/savings/investments, and items of value you own.

Liabilities are financial obligations to other parties and include things like loans, credit card balances, mortgages, etc.

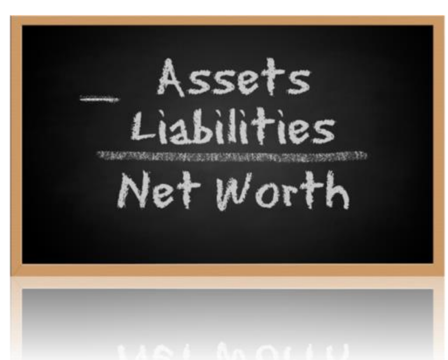
Note: While on Active Duty, your home's market value is an asset, but because the mortgage payment should be covered by Basic Allowance for Housing (BAH), the mortgage loan is not included as a liability. After you transition, this will change, and the mortgage loan will become a liability.

TIP: There are many calculators to assist you with estimating the value of what you own (assets).

- To find the value of savings bonds check: www.savingsbond.gov
- You can estimate your home value at: www.homegain.com
- To find your car's value check: www.nada.com

BUDGET ACTIVITY: NET WORTH

Instructions: Fill out New Worth (tab 1) in the Financial Planning Worksheet. Try to be as accurate as possible, estimating when necessary.



INCOME

To reduce confusion, it's important to review common terms used when dealing with income:

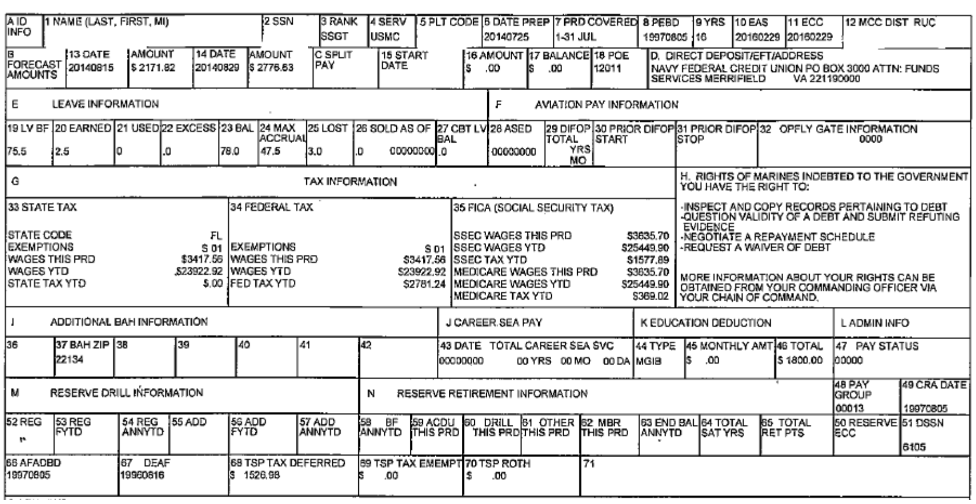
- **Gross Income –** Your household total pay and allowances; everything earned
- **Net Income –** Your household gross income minus taxes minus any other deductions or automatic allotments. (This is the amount deposited in your account each payday.)

Total pay + allowances =
Gross Income

Gross income – tax deductions – additional deductions such as allotments=
Net Income

You can think of "net income" as the amount of money you "take home" from each paycheck.

TOTAL FORCE LEAVE AND EARNINGS STATEMENT



A ID INFO	1 NAME (LAST, FIRST, MI)	2 SSN	3 RANK	4 SERV	5 PLT CODE	6 DATE PREP	7 PRD COVERED	8 PEBD	9 YRS	10 EAS	11 ECC	12 MCC DIST RUC
			SSGT	USMC		20140725	1-31 JUL	19970805	16	20160229	20160229	

B FORECAST AMOUNTS	13 DATE	AMOUNT	14 DATE	AMOUNT	C SPLIT PAY	15 START DATE	16 AMOUNT	17 BALANCE	18 POE	D. DIRECT DEPOSIT/EFT/ADDRESS
	20140815	$ 2171.82	20140829	$ 2776.63			$ .00	$ .00	12011	NAVY FEDERAL CREDIT UNION PO BOX 3000 ATTN: FUNDS SERVICES MERRIFIELD VA 221190000

E LEAVE INFORMATION / F AVIATION PAY INFORMATION

19 LV BF	20 EARNED	21 USED	22 EXCESS	23 BAL	24 MAX ACCRUAL	25 LOST	26 SOLD AS OF	27 CBT LV BAL	28 ASED	29 DIFOP TOTAL YRS MO	30 PRIOR DIFOP START	31 PRIOR DIFOP STOP	32 OPFLY GATE INFORMATION
75.5	2.5	0	.0	78.0	47.5	3.0	.0 00000000	.0	00000000				0000

G TAX INFORMATION

33 STATE TAX		34 FEDERAL TAX		35 FICA (SOCIAL SECURITY TAX)	
STATE CODE	FL			SSEC WAGES THIS PRD	$3635.70
EXEMPTIONS	S 01	EXEMPTIONS	S 01	SSEC WAGES YTD	$25449.90
WAGES THIS PRD	$3417.56	WAGES THIS PRD	$3417.56	SSEC TAX YTD	$1577.89
WAGES YTD	$23922.92	WAGES YTD	$23922.92	MEDICARE WAGES THIS PRD	$3635.70
STATE TAX YTD	$.00	FED TAX YTD	$2781.24	MEDICARE WAGES YTD	$25449.90
				MEDICARE TAX YTD	$369.02

H. RIGHTS OF MARINES INDEBTED TO THE GOVERNMENT YOU HAVE THE RIGHT TO:

-INSPECT AND COPY RECORDS PERTAINING TO DEBT
-QUESTION VALIDITY OF A DEBT AND SUBMIT REFUTING EVIDENCE
-NEGOTIATE A REPAYMENT SCHEDULE
-REQUEST A WAIVER OF DEBT

MORE INFORMATION ABOUT YOUR RIGHTS CAN BE OBTAINED FROM YOUR COMMANDING OFFICER VIA YOUR CHAIN OF COMMAND.

I ADDITIONAL BAH INFORMATION / J CAREER SEA PAY / K EDUCATION DEDUCTION / L ADMIN INFO

36	37 BAH ZIP	38	39	40	41	42	43 DATE TOTAL CAREER SEA SVC	44 TYPE	45 MONTHLY AMT	46 TOTAL	47 PAY STATUS
	22134						00000000 00 YRS 00 MO 00 DA	MGIB	$ .00	$ 1800.00	00000

M RESERVE DRILL INFORMATION / N RESERVE RETIREMENT INFORMATION

48 PAY GROUP	49 CRA DATE
00013	19970805

52 REG	53 REG FYTD	54 REG ANNYTD	55 ADD	56 ADD FYTD	57 ADD ANNYTD	58 BF ANNYTD	59 ACDU THIS PRD	60 DRILL THIS PRD	61 OTHER THIS PRD	62 MBR THIS PRD	63 END BAL ANNYTD	64 TOTAL SAT YRS	65 TOTAL RET PTS	50 RESERVE ECC	51 DSSN
															6105

66 AFADBD	67 DEAF	68 TSP TAX DEFERRED	69 TSP TAX EMEMPT	70 TSP ROTH	71
19970805	19960816	$ 1526.98	$ .00	$ .00	

How to calculate your Income:

1. Copy all of your pay and allowances from your LES or use a current pay chart to calculate your gross monthly pay. Remember, your End of Month amount is not your full monthly income so remember to add in your mid-month pay.

   CAUTION: This figure could be different from your taxable pay. All taxable items will have an asterisk (*) beside them in the entitlements section on your Financial Planning Worksheet. If you are not sure what entitlements are taxable, please see your installation financial counselor or your installation finance office.

2. Subtract all deductions from your pay. These may include:
   - Taxes
   - Service members Group Life Insurance (SGLI)
   - Family SGLI (FSGLI)
   - Traumatic Service member Group Life Insurance (TSGLI)
   - Automatic contributions to your Thrift savings plan (TSP) and other investments or other automatic contributions to savings, etc.
   - Health (Medical and Dental)
   - Advance pay
   - Overpayments
   - Armed Forces Retirement Home
   - Contributions or payments to military aid organizations
   - Allotments
3. After subtracting the above from your gross income, you will have calculated your net income.

BUDGET ACTIVITY: INCOME

Instructions: Complete the Income Section (tab 2) in the Financial Planning Worksheet. Use your Leave and Earning Statement (LES) for accurate information. The worksheet will automatically calculate your net income, as the deductions are input into the spreadsheet.

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Savings and Investments

Savings and investments are an important part of the financial picture. It is the savings, which will help in a financial emergency, such as when the car breaks down or when unexpected unemployment occurs. Where the investment is meant for long-term savings and planning for retirement.

It is important you set goals for each of these areas to have a balanced savings and investment portfolio:

- Emergency Savings (minimum of $1,000)
- Reserve (minimum of three to six months but one year would be ideal)
- Goal getter (items you want)
- IRA, TSP, and other investments

<u>How to calculate your Savings</u>

1. List all of the money you save in Tab 5 of the worksheet.
2. This includes any monthly amounts put into savings funds, as well as entries for investments such as the thrift savings plan (TSP), Saving Deposit Plan (SDP), 401(k), other mutual funds, stocks, and other types of investment tools.
3. Place in the remarks section the amount listed that came out of your gross income and prior to your net income (automatic deductions, transfer to savings immediately after receiving pay). We will explain below.
4. Total the monthly savings and investment amounts.

Budget Activity: Savings and Investment

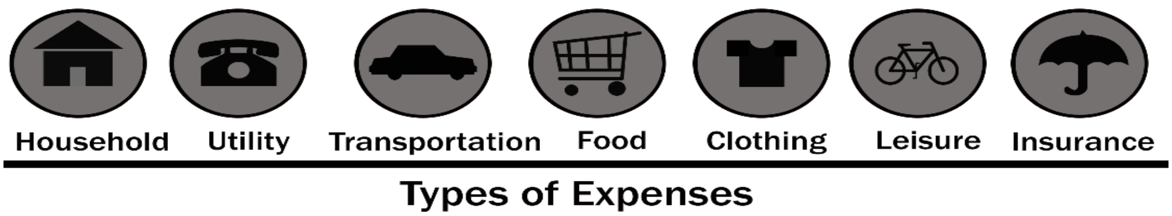
Instructions: Fill out Savings and Investment portion (tab 5) in the Financial Planning Worksheet. Use your LES for the TSP and retirement amounts, try to be accurate, but you can estimate if need be. The worksheet will automatically calculate your savings ratio at the bottom.

LIVING EXPENSES

Living expenses are the daily, weekly, and monthly items that we pay out in order to live – groceries, utilities, clothing, childcare, entertainment, etc.

Capture your living expenses on Tab 5 of the worksheet. Using the worksheet, you have been completing thus far, work down the page and complete the "Actual" column.

TIP: If you know you spend money on an item, but do not know how much, consider tracking your spending for one or two pay periods and then update the worksheet.



TRACKING EXPENSES

Do you know how much you spend each month on living expenses? For today, estimate as close as you can. You can provide exact amounts later after tracking your actual expenses for a month.

Living expenses take up the majority of your income. Some expenses are fixed, such as rent and insurance, while others are variable – entertainment, food, and clothing. Another category of variable expenses includes items such as utilities or gasoline. These are dependent on outside factors, such as time of year. For these you can estimate but realize they may change over time. You can control variable expenses and adjust the amounts you spend in these categories to have more to use somewhere else.

NOTE: Most people who are building their first spending plan cannot account for 10% of their income – they simply do not know where the money goes. During your transition, this 10% could come in very handy.

Options for tracking expenses:

- Use the form on Tab 8 labeled Daily Expenses on the worksheet.
- Keep a small notebook in your wallet or purse to record every purchase
  - Write everything down – $2 for an energy drink, $6 for lunch, $5 for coffee, $15 you loaned to a coworker, etc.
- Keep receipts from every purchase and total them up at a minimum by the end of the week.
- Review past spending from statements.
- After you have written everything down for a month, group your expenditures into categories similar to those listed on Tab 5 of the worksheet and enter them on the form.

Why track expenses? To give yourself an honest picture of your spending so you can make informed decisions about your budget**.**

BUDGET ACTIVITY: LIVING EXPENSES

Instructions: Fill out Living Expenses (tab 5) in the Financial Planning Worksheet. Try to be as accurate as possible, estimating or averaging when necessary. After the all the expenses are input in to the categories, the program will calculate your Expense ratio.

DEBT MANAGEMENT

To determine debt, look at whom you owe money to, what the minimum payment is and how much interest you are being charged. This is captured in the Indebtedness tab within the worksheet.

Items that fall into this category generally Include:

- Credit cards (bank, department store, gas, etc.)
- Car loans
- Personal loans
- Consolidation loans
- Student loans
- Advanced payments
- Overpayments
- Indebtedness to military aid organizations, family and friends

Items **NOT** included as debts:

- Your mortgage – For the purposes of this spend plan, your mortgage is a living expense and was considered in the Expenses Tab 5.
- While on active duty, your housing allowance likely covers your rent/mortgage. A true debt to income ratio would include your mortgage because banks/creditors will take that mortgage payment and balance into consideration.
- Any rental property you have that is not your primary residence. This also could be considered a debt by banks/creditors so be aware that if you are going to try to obtain credit you may run the numbers with this included.

Note: Remember paying the minimum payments and having a large balance will affect your financial future, as the debt can become a snowball effect. You will pay much more for the item then what you originally thought you were paying for it and most likely, the value of the item will be less than what you owe on it.

A Transitioning Service Member borrowed $15,000 at 16% interest for 5 years. He paid

Total Interest Paid	Total Amount Paid for Car
$ 6,886.25	$ 21,886.25

What if he had 6% interest for 5 years?

Total Interest Paid	Total Amount Paid for Car
$ 2,399.52	$ 17,399.52

What if he had 6% interest for 3 years?

Total Interest Paid	Total Amount Paid for Car
$ 1,427.85	$ 16,427.85

BUDGET ACTIVITY: INDEBTEDNESS

Instructions: Fill out Indebtedness (Tab 6) in the Financial Planning Worksheet. Try to be as accurate as possible, estimating when necessary. Be sure to complete as much of the information as possible, including the creditor, purpose, payment and balance. The more information you have the more accurate the ratio results will be.

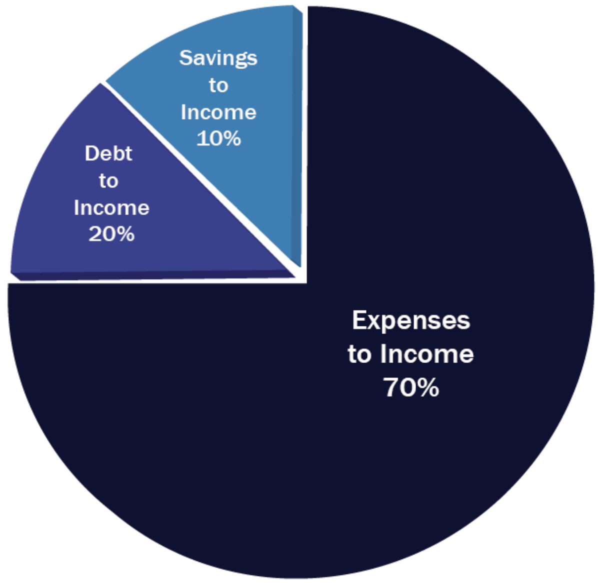
RATIOS

To determine how financially sound a person is, financial planners generally use ratios.

Often referred to as the “70–20–10 Rule,” with the ideal distribution of your net income as:

- 70% to living expenses (smaller percentage is better)
- 20% to debt payments (smaller percentage is better)
- 10% to savings (larger percentage is better)

Use this as a guide to help you understand how you are doing.



70-20-10 Ratio

Summary of Income, Savings & Investments, Living Expenses, and Debt-Income Ratio

Under the Savings and Expenses (tab 5) located at the top, is your 'Savings to Income' ratio, which is calculated by the worksheet. Use that to know your current Saving to Income ratio. The recommended savings to income ratio is between 5 and 10%.

At the bottom of the Savings and Expenses page, you will find your 'Expenses to Income' ratio. An expense to income ratio is recommended to be about 70%.

Under the Indebtedness section (tab 6), there is a summary. The financial planning worksheet will automatically populate the information from previous sections into this area to calculate your debt to income ratio. It is recommended that this ratio not be over 20%.

Understanding all three of these ratios will give you a clear picture of your current income, spending and debt and the ability to adjust these expenditures to create a sound financial plan.

How to Calculate Your Debt-To-Income Ratio

Monitoring your debt-to-income ratio is a good way to get a quick check of your financial health.

To understand how the spreadsheet formulas are calculated walk you through how to determine your debt-to-income ratio:

- Determine your net monthly income by identifying everything you make in one month
- Total all monthly debt payments – Remember to exclude mortgage payments while in the service as we assume your BAH covers it but you should include it on your post-service budget.
- Divide the minimum monthly debt payments by the total net monthly income to determine your debt-to-income ratio.
- Your minimum payments divided by net income multiplied by 100 is your ratio.

Scenario: Pete and Jennifer have a net monthly income (after taxes) of $3,750. The total of their minimum monthly payments is $680.

The debt-to-income ratio calculation would be:

- 680 (divided by) 3750 = 0.18
- 0.18 x 100 = 18
- Therefore, their debt-to-income ratio is 18%.

Our goal is to have the debt ratio below 20%.

Look at the financial planning worksheet on tab 5, what is your debt to income ratio?

Debt-to-Income Ratio

Now that we have discussed how Debt-to-Income Ratio is calculated, next is to determine what that ratio means.

The previous example determined that 18% of the income went to debt. Using the following guidelines we can determine how this percentage ranks compared to a "safe" level of debt:

- Less than 15%: Use caution when taking on more debt.
- 15% - 20%: Fully extended; refrain from taking on additional debt.
- 21% - 30%: Overextended; do not take on additional debt and establish a plan to pay down existing debt.
- More than 30%: Seek help to reduce debt from a reputable debt-management source.

The less debt you have then the less stress, the better Annual Percentage Rate (APR/interest rate) you will be offered, which translates to lower payments and less time spent paying off a debt. It may be difficult to change your lifestyle immediately to accomplish your goal of decreasing your debt but over the long term, you feel more secure about your financial future.

As the areas were completed, you should have been creating a budget and calculating your ratios. Now pay close attention to how your ratios compare to what the financial planners agree are good ratios and determine what you can do to improve your situation prior to and after transition.

These percentages will vary in different households based on different lifestyles, but these guidelines prove effective in determining your savings, expenses, and debt level and they will help you to develop a sound financial plan.

Debt to Income Ratio

Use Caution	<15%
Fully Extended	15-20%
Overextended	21-30%
Seek Assistance	>30%

YOUR ACTION PLAN

On the Financial Planning Worksheet, find the action plan. There are options to address financial issues that may have detected in your spending plan.

TIP: Decreasing living expenses will produce the quickest results. A well-managed spending plan that decreases living expenses can see results within days.

Ways to increase income:	Ways to decrease expenses:	Ways to decrease indebtedness:
• Spouse gets job • Active-duty person gets part-time job • Review and change tax filing status and exemptions • Enroll in federal or state programs	• Cut back to basic cable • Bundle packages for cable, Internet and cell phone, when there is a savings • Eliminate your land line for cell phone • Check books out from library • Use public transportation or carpool • Turn off lights & appliances when not using. Check with your utility company for more tips • Ask for military discounts • Send e-mail rather than calling • Trade child-care duty or meal duties with another couple • Cook at home and pack your lunch • Shop at thrift stores • Evaluate needs versus wants on cell phone packages	• Pay off debts • Stop using credit cards • Pay down debt using a power pay plan. Take advantage of websites that explain various methods of power paying. • Shop for the lowest interest rates, refinance when possible • Consider consolidation loans • Ask your credit card companies to close your account and put you in a payment plan • Seek help if you are in serious debt. Accrued interest and late fees may be waived by some creditors if you enroll in a non-profit debt management program

SOURCES OF HELP

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 are having financial difficulties or need assistance creating a spending plan, get help. Along with the Installation Family Service Center Financial professional there are other resources to assist:

- Debt management programs at financial institutions (both on and off the installation).
- Contact the National Foundation for Credit Counseling (NFCC) or other non-profit financial education organizations.
- MilitaryOne Source and MFLC (while in the service as there are more free services available).
- Military Financial Management Educators at your local installation.
- American Job Centers for financial assistance after transition.

Consumer Financial Protection Bureau, Office of Service Members Affairs has contracted out to offer financial counseling at certain Department of Labor and VA centers for Veterans. Ask the personal financial manager on base or refer to the list on ConsumerFinance.gov. This information is especially helpful for financial planning assistance after transitioning has occurred.

BUDGET ACTIVITY: ACTION PLAN AND GOALS

Instructions: After reviewing your budget and corresponding ratios take a few minutes to write down a few ideas in the Action Plan (tab 7). Ways to decrease debt, increase income and decease living expenses. Also, think about any long term financial goals and add them to this tab.

REVIEW

Understanding the fundamentals of the Financial Planning Worksheet provides you with a broad understanding of financial planning and the road to financial security. You should be able to take what you learned in this module and during this week to complete your 12-month post-transition spending plan/budget.

Here's a quick review of the components of the worksheet:

1. **Net Worth** – Helps you measure your current wealth by subtracting everything you owe (debts) from everything you own (assets). Your net worth should increase every year.
2. **Income Statements** – Allows you to calculate net monthly income.
3. **Saving and Expenses** – Allows you to total monthly savings and living expenses.
4. **Indebtedness Summary** – Allows you to total monthly debt payments, surplus or deficit, and debt-to-income ratios. Remember 70 – 20 – 10 rule.
5. **Action Plan/Goals** – Helps you plan ways to cut expenses and debt payments and increase income. It includes space for goals, referrals, and additional education/training.
6. **Spending Plan/Expense Tracker** – Spending plan provides a paycheck-by-paycheck plan to ensure your actual day-to-day spending is in line with the amounts you have budgeted. Ask yourself, "Of all the things I've already thought about and planned for, which am I willing to give up to spend the money on something else?" Update as income changes. Expense Tracker exhibits the benefits of tracking expenses for a month or two. Track out-of-pocket expenses since everything else tends to be paid for with a check, automatic deductions, or a credit card.
7. **12-Month Post-Service Budget –** It is a requirement to submit a 12-month post-service budget. As you do more research on the topics we have discussed in this class and throughout the week, you will be updating this living document as you go along your career and into transition.

As you create your current budget with the tools you will learn today, you will be able to do an actual current budget. You will be able to evaluate issues and then set a projected budget. You will also be able by the completion of this transition course/week, and after doing some of your own research prepare a 12-month post-service budget. Remember a budget is a living document and you will need to updated periodically.

BUDGET ACTIVITY: 12-MONTH POST SEPARATION BUDGET

Instructions: Using the knowledge you have just gained about creating a budget and the information from the MOC Crosswalk on salary for your chosen career. Go through the financial planning worksheet filling in under the projected column as much as you can. If you need to refer to www.onetonline.org and www.bls.gov for salary information.

	PROJECTED 12 MONTH POST SERVICE BUDGET (Page 1 of 4)					
MEMBER'S NAME						
COMBINED PROJECTED INCOME	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**
Projected Gross Civilian Income (base, commission, bonus)						
Projected Gross Spouse Income (base, commission, bonus)						
Other Projected Taxable Income						
TOTAL PROJECTED GROSS COMPENSATION (A)	$ -	$ -	$ -	$ -	$ -	$ -
ALL DEDUCTIONS	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**
Total Projected Federal Taxes (FITW: Federal Income Tax Witholding)						
Total Projected Federal Taxes (FICA: Social Security & Medicare) (7.65% of gross income)		$ -	$ -	$ -	$ -	$ -
Total Projected State Income Tax						
Total of Projected All Other Deductions						
Total of Projected All Allottments						
TOTAL PROJECTED OF ALL DEDUCTIONS (B)	0.00	0.00	0.00	0.00	0.00	0.00
ADDITIONAL NON-TAXABLE INCOME	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**
Total of All Projected Non-Taxable Earnings (Rental Income, Support/Pension)						
TOTAL PROJECTED NET INCOME PAY	$ -	$ -	$ -	$ -	$ -	$ -
1ST PAY PERIOD						
2ND PAY PERIOD						
PROJECTED SAVINGS (GOAL 10% OF INCOME)	**Month 1**	**Month 2**	**Month 3**	**Month 4**	**Month 5**	**Month 6**
Emergency Fund, Reserve, Goal Fund						
Investments/IRAs/TSP/401(k), etc						
PROJECTED SAVINGS AND INVESTMENTS (10%)	$ -	$ -	$ -	$ -	$ -	$ -
Savings to Income Ratio (10%)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL PROJECTED INCOME AFTER SAVINGS	$ -	$ -	$ -	$ -	$ -	$ -

Section 1.2: Analyze your Credit Report and Scores

MODULE PREREQUISITE

If participants are able to obtain one free, it is suggested that they bring with them a current credit report. This can be obtained from www.annualcreditreport.com.

COMPETENCY

Understand your credit report and scores

LEARNING OBJECTIVES

Participants will:

- Understand a credit report and its uses.
- Learn how to obtain a credit report from annualcreditreport.com.
- Interpret a credit report.
- Obtain a credit score from your financial educator.
- Analyze the impact of your credit score.
- List ways to correct your credit report and increase your credit score.

WHY IS ANALYZING YOUR CREDIT REPORT AND SCORE IMPORTANT?

Knowing your credit report's content and ensuring its accuracy is important. Credit can affect everything from employment offers to loan and credit card applications. Throughout this course, we will provide more specifics on the importance of and how to manage your credit report and score.

WHAT IS A CREDIT REPORT?

A credit report is used by lenders to find out information about your credit history and the status of your financial accounts. Credit reports are compiled by credit reporting agencies. There are three main nationwide credit-reporting agencies: **Equifax, Experian,** and **TransUnion**.

Experian TransUnion EQUIFAX

Credit Reporting Agencies

Most major creditors subscribe to one or more credit bureaus. Subscribing to a credit bureau is a two way street—the creditor agrees to continuously supply the credit bureau with current account information on the creditor's customers in exchange for the right to find out information about other credit applicants.

Usually, creditors supply information to credit bureaus by computer. Each month the creditor transmits information about the status of its consumer accounts to the credit bureau. The bureaus use this information to update each borrower's credit file automatically.

A credit report includes information about you, such as whether you have paid your debts (credit cards and loans) on time, how much credit you have, how much available credit you are using, and if a debt collector is taking action on any debt you owe. Lenders use these reports to help them decide the type of credit they will extend to you, whether or not to give you an offer at all, at what Annual Percentage Rate (APR), or to check the status of an existing loan.

These reports can also include public records such as bankruptcies, garnishments, liens, and other judgments. Collection agencies send information on delinquent accounts to credit reporting agencies.

Numerous other companies collect specified information about consumers — such as tenant history or payday loan history. You have a right to request a copy of most Specialty Consumer Reports once a year. Consumer Financial Protection Bureau has a list of these agencies http://files.consumerfinance.gov/f/201501_cfpb_list_consumer-reporting-agencies.pdf

NOTE: You will be able to receive your credit report and score while on active duty through an Installation Personal Finance Counselor, through SaveandInvest.org.

What Does A Credit Report Contain?

Your credit report has basic personal information about you and lists the following information by individual account:

- Date you opened the account
- Type of account – real estate, revolving (credit card), or installment
- Whether the account is currently open or has been closed
- Monthly payment amount
- Maximum credit limit
- Latest activity on the account
- Current balance on the account
- Any amounts past due
- A code that explains whether the account is current, 30, 60, or 90 days past due
- If the account involves a repossession, charge off, or other collection activity
- Any accounts that have been turned over to a collection agency
- Addresses and telephone numbers of your creditors

Additionally, a credit report will include:

- Certain information of public record, including court judgments and possibly law suits against you, and garnishments, tax liens, foreclosures, and bankruptcies
- Legal information about divorces or annulments
- Should note any consumer statement you have provided concerning an unresolved dispute

TIP: If you find something wrong with your credit report, you should contact both the credit reporting agency and the creditor that provided the information (called the "furnisher"), if applicable, to tell them what you think is wrong and why. Your credit report will include information about how to dispute inaccurate or incomplete information.

WHO CAN SEE YOUR CREDIT REPORT?

Who Can See Your Credit Report

- Creditors can when you apply for credit or for a loan, to review an existing account or for collection purposes
- Companies can view your report if you have given them written permission
- Employers can look at your report, but only under certain circumstances and only if you give them written authorization
    - Employers are allowed to look at your report to evaluate you for hiring, promotions, and other employment purposes
    - Some employers are using credit reports in making employment decisions
- Government agencies, including those trying to collect child support and public assistance
    - Those considering you for eligibility for public assistance may review your credit report, searching for hidden income or assets
- Insurance companies can look at your credit report to determine whether to issue you a policy and how much to charge for it
- Landlords can look at your credit record when they are deciding whether to rent an apartment to you

FAIR CREDIT REPORTING ACT

Under the Fair Credit Reporting Act:

- **You must be told if information in your file has been used against you.** Anyone who uses a credit report or another type of consumer report to deny your application for credit, insurance, or employment – or to take another adverse action against you – must tell you, and must give you the name, address, and phone number of the agency that provided the information.

- **You have the right to know what is in your file.** You may request and obtain all the information about you in the files of a consumer-reporting agency (your "file disclosure"). In many cases, the disclosure will be free. You are entitled to a free file disclosure if:
    - A person has taken adverse action against you because of information in your credit report
    - You are the victim of identity theft and place a fraud alert in your file
    - Your file contains inaccurate information as a result of fraud
    - You are on public assistance
    - You are unemployed but expect to apply for employment within 60 days

- **You have the right to ask for a credit score.** Credit scores are numerical summaries of your credit-worthiness based on information from credit bureaus. You may request a credit score from consumer reporting, but you will have to pay for it.

- **You have the right to dispute incomplete or inaccurate information.** If you identify information in your file that is incomplete or inaccurate, and report it to the consumer-reporting agency, the agency must investigate. See www.ftc.gov/credit for an explanation of dispute procedures.

- **Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.** Inaccurate, incomplete, or unverifiable information must be removed or corrected, usually within 30 – 60 days.

- **Consumer reporting agencies may not report outdated negative information.** In most cases, a consumer-reporting agency may not report negative information that is more than seven years old, or bankruptcies that are more than 10 years old.

- **Access to your file is limited.** A consumer-reporting agency may provide information about you only to people with a valid need -- usually to consider an application with a creditor, insurer, employer, property owner, or other business. The FCRA specifies those with a valid need for access.

- **You must give your consent for reports to be provided to employers.** A consumer-reporting agency may not give out information about you to your employer, or a potential employer, without your written consent given to the employer. Written consent generally is not required in the trucking industry. For more information, go to www.ftc.gov/credit.

- **You may limit the "prescreened" offers of credit and insurance you receive based on information in your credit report.** Unsolicited "prescreened" offers for credit and insurance must include a toll-free phone number you can call if you choose to remove your name and address from the lists these offers are based on. You may opt-out with the nationwide credit bureaus at 1-888-5-OPTOUT (1-888-567-8688).

- **You may seek damages from violators.** If a consumer reporting agency, or, in some cases, a user of consumer reports or a furnisher of information to a consumer reporting agency violates the FCRA, you may be able to sue in state or federal court.

- **Identity theft victims and active duty military personnel have additional rights.** For more information, visit www.ftc.gov/credit.

Reviewing Your Credit Report

The first step in learning about your credit report is to order copies from the three main credit bureaus and read these reports carefully. It is important to make sure that the information on the report is accurate, because errors in your credit report could hurt your ability to get a loan, and may determine the Annual Percentage Rate (APR) you pay on the loan.

Because there can be differences in the reports kept by each of the three major national credit bureaus, you should order your report from all three,

TIP: Order from one company, then four months later from another, then four months later order the last company's report.

Each credit bureau is **required to provide you with one free credit report per calendar year**. You can only get your free credit reports from a centralized request service that was created by the three nationwide consumer credit reporting companies at: **www.annualcreditreport.com**

Do not contact the credit bureaus individually for your free annual report; generally, to get a report directly from the credit bureaus you will need to pay a one-time fee or sign up for monthly credit monitoring with a monthly fee.

WHAT TO EXPECT WHEN YOU MAKE YOUR REQUEST:

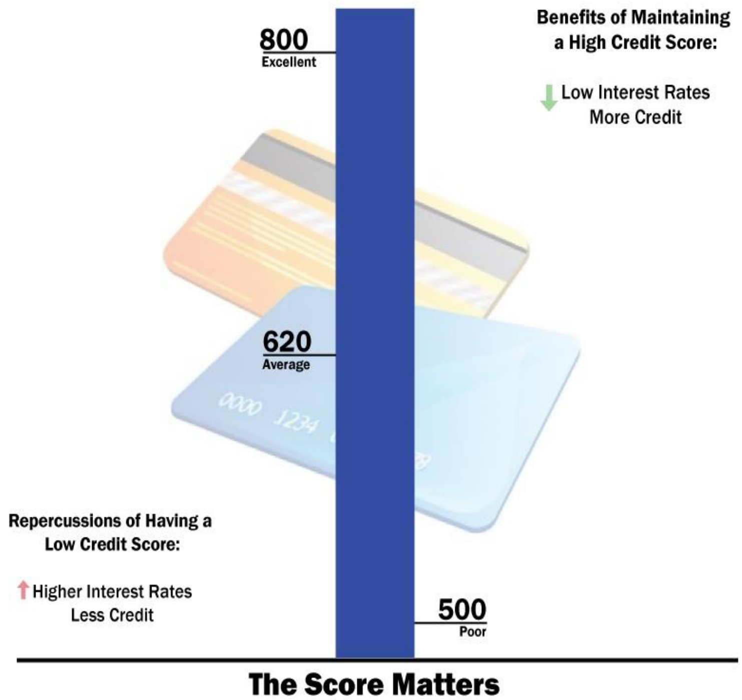
- You'll need to provide your name, address, Social Security number, and date of birth
- If you have moved in the last two years, you may have to provide your previous address
- To maintain the security of your file, each credit bureau may ask you for some information only you would know, like the amount of your monthly mortgage payment or the name of a lien holder
- Each bureau may ask you for different information

You also have the right to obtain a free credit report in certain other circumstances, such as if:

- You are denied credit, insurance, employment, or rental housing, or adverse action was taken against you based on information in your credit report—for example, your interest rate was raised or your credit limit was decreased.
- You are unemployed and plan to seek employment within 60 days.
- You receive public welfare assistance.
- You were a victim of Identity Theft.
- You have reason to believe your credit file is inaccurate due to fraud.
- Your state may offer a free or reduced-price credit report. Check with your state as these policies may change over time.
- Review the FTC information mentioned above.

NOTE: If you have already accessed your free annual report, check with the installation financial planning counselor if you would like an additional copy. They may be able to provide access to a credit report. The other option is to pay the credit agency for the credit report, this can cost between $15-30 per request. This request will most likely not include your credit score.

CREDIT SCORES



A credit score is a number used by lenders to help them evaluate the likelihood that you will pay back a loan. It is calculated based on information in your credit report. There are many different credit scores sold in the marketplace. Each credit bureau and credit scoring company has a slightly different way of calculating credit scores, as such, your score may vary depending on the scoring model used, and which credit reporting agency's data is used in making the report. At a minimum, most of the credit scores sold commercially look at all of the following factors to determine your credit score:

- Your payment history—have you been paying on time and how much are you paying.
- Amount you currently owe on credit accounts.
- The amount of credit you use compared to the amount of credit you have available.
- Length of time the accounts have been open.
- The different types of credit you use.
- How often and how recently you have applied for credit.

You should not be afraid to shop for the best credit just because you are worried too many inquiries will show up on your credit report or lower your credit score. In the case of auto loans and mortgage loans, for example, the most commonly used credit scoring models will count multiple same type inquiries as a single inquiry if they occur within a short period, often a 30-day period.

CREDIT SCORING FACTORS

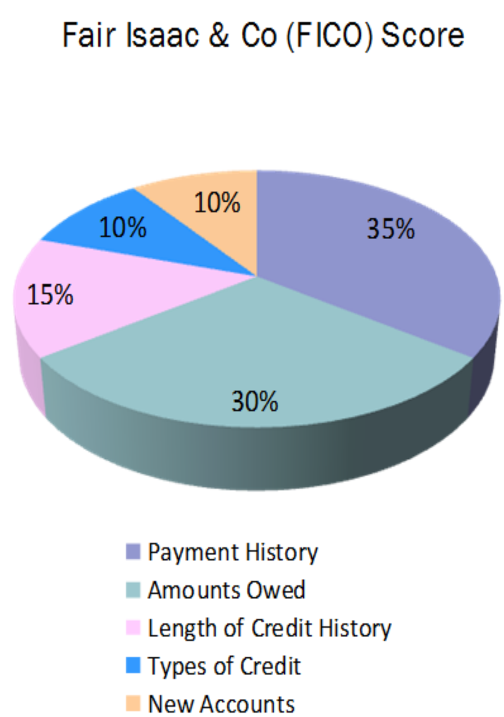
Credit scores can range from 350 to 850 depending on if it is a FICO score or Vantage score. Generally, most individual FICO credit scores fall in the 600-750 range. Requesting your credit score at least once a year is important. When you request a credit report, also request your credit score. Remember, higher credit scores may result in better credit terms such as lower APRs.

The precise factors behind a credit depend on the credit score model used. In general, credit scoring models tend to look at recent credit activity, length of credit history, and utilization of credit.

The biggest credit scoring company having over 90% of the market – Fair, Isaac and Company – has disclosed the factors it considers in generating credit scores. Fair, Isaac's scores are called FICO scores. Most creditors and credit bureaus either use FICO scores or have a system based on the Fair, Isaac's system. More information is available on-line at www.myfico.com.

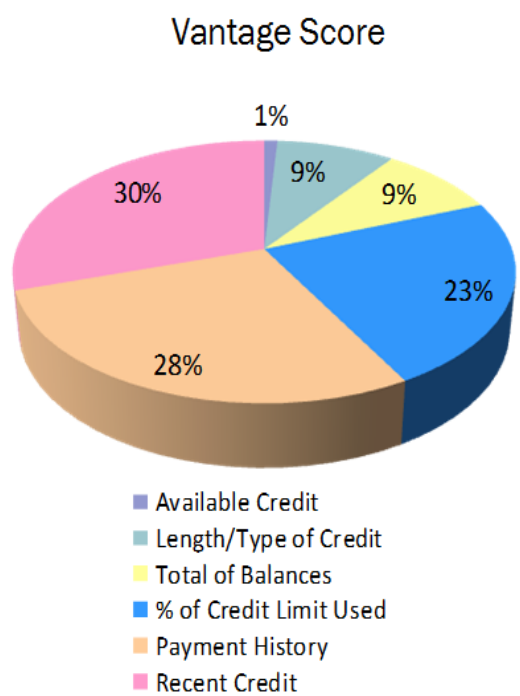
According to Fair, Isaac, the factors considered in determining FICO scores are:

- **Payment history** (about 35% of the score)
- **Amounts owed on credit accounts** (about 30% of the score)
    - They are looking to see whether you manage credit responsibly
    - A large number of accounts with balances may indicate you are overextended
- **Length of credit history** (about 15% of the score)
    - In general, a longer credit history increases the score
- **New credit** (about 10% of the score)
    - Fair, Isaac likes to see that you have an established credit history and you don't have too many new accounts
    - Opening several accounts in a short period of time can indicate greater risk
- **Types of credit** (about 10% of the score)
    - Fair, Isaac is looking for a mix of different types of credit. However, this factor is usually not important if there is sufficient other information upon which to base your score



The Vantage score is an alternative scoring model used by some lenders. The factors considered in a Vantage score include:

- **Payment history** (28%)
    - Analyzes your payment behavior, looking at whether you have paid your bills on time, are behind of payments, or stopped paying. Late payments hurt your score.
- **Utilization** (23%)
    - Utilization is the percentage of credit that you have used or owe on your credit accounts.
- **Balances** (9%)
    - Reflect the reported balances on your credit cards and other loans. Sudden increases in balances can be a signal of greater risk.
- **Depth of credit** (9%)
    - Looks at the length of your credit history and the types of credit you have.
- **Recent credit** (30%)
    - Considers the number of recently owned credit accounts and credit inquiries. A lender may see it as risky if a consumer quickly adds a lot of new accounts.



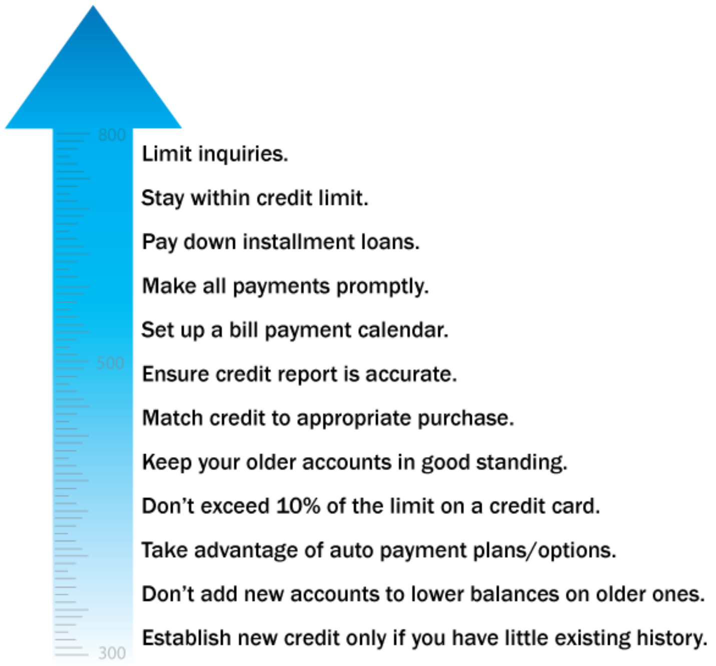
- **Available credit** (1%)
    - The available credit on all your accounts. Lenders may see high credit balances as a risk factor.

NOTE: If the number of inquiries to a consumer's report pulled down the score, the bureaus must disclose this.

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

IMPROVING YOUR CREDIT SCORE

You can take several steps to improve your credit. The best way to avoid a poor credit score is to pay your bills on time, maintain low balances, and only apply for credit that you need.



Improving a Credit Score

REBUILDING/CORRECTING CREDIT

Although you cannot erase bad information from the report, there are some simple steps you can take to make a bad situation better:

Correct any errors on your credit report. You should send a written dispute to each credit bureau that has reported incorrect information. Include any documentation that proves you do not owe the debt. The credit bureau by law must investigate the entry and correct the mistakes. In most circumstances, the agency is required to get back to you with the results of the investigation within 30 days. The creditor who first supplied the information to the bureau also has a duty to correct and update the information. Even after the entry is corrected, periodically check to make sure this incorrect information has been deleted permanently.

Follow-up your dispute by:

- Obtaining another copy of your credit report with credit bureau “A” to confirm the corrections were made. If a change to your credit report has been made you are entitled to a free credit report showing the change has been made.
- Checking to see whether your reports at credit bureaus “B” and “C” contain the same error and if so; send the results of the investigation of credit bureau “A” to those agencies as well
    - Getting another copy of the report from credit bureau “A” three to six months later to make sure the bureau has not put the information back in
- Consider requesting that all the credit bureaus notify past users of the corrections

Clean up your file with the help of the creditor. You can try to obtain the creditor’s help in deleting inaccurate information. In trying to persuade the creditor the information was inaccurate, you should supply whatever proof you have. If your proof is not enough to resolve the matter, you may have to agree to pay part or all of the debt, whether immediately or in installments. If you settle with the creditor, the IRS considers the amount forgiven taxable.

If a creditor does agree to delete information, it can contact the credit bureau to request the deletion. Be sure any agreement with the creditor to remove past information is clear and in writing.

Clean up inaccurate Public Record information. The most damaging information on your credit record is sometimes found from public records, such as arrests, convictions, judgments, foreclosures, tax takings, and liens. The best way to remove this information from your file is to do so at the source, with the government agency supplying this information to the credit bureau, and then make sure the corrected information is updated in the credit bureau's files.

Delete old information – Most negative entries must be removed from your report after a certain number of years, as follows:

- ***Up to Seven Years:***
  - Accounts sent for collection or charged off may be reported from the date of the last activity on the account for up to seven years.
  - Lawsuits and judgments may be reported from the date of the entry of the judgment for up to seven years or until the governing state statute of limitations has expired, whichever is longer.
  - Paid tax liens may not be reported more than seven years after the date of payment.
  - Records of arrest (apart from criminal convictions) may be reported for seven years or until the governing state statute of limitations expires, whichever is longer.
- ***Up to 10 Years:***
  - Bankruptcies may be reported for no more than 10 years.
- ***Permanent:***
  - Records of criminal convictions.
  - Positive information may be reported indefinitely

Note: If you find old information on your report, you should follow the steps outlined above to request that the credit bureau investigate and delete the information.

Explain damaging items. It is often 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. Similarly, Fannie Mae requires its mortgage lenders to review any letter you provide explaining your credit problems.

Avoid overreacting to threats to damage your Credit Rating. Debt collectors may threaten to report negative information to a credit bureau, but the threat is only meant to pressure you to pay. Creditors automatically report the fact 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 if necessary; www.cfpb.gov

Avoid Credit Repair Agencies. Avoid companies that promise to fix your credit record for a fee. They usually call themselves credit repair, credit service, credit clinic, or similar names. The agencies usually cannot deliver what they promise. You can generally do a better job cleaning up your credit record on your own at no cost, or work with one of our non-profits that have Memorandum of Understandings/Letter of Agreements that handle credit counseling.

Be careful of offers by companies that claim they can repair your credit. If you see an offer for repair of your credit, here are some red flags that could indicate the service could be engaged in questionable practices:

- The company wants you to pay for credit repair services before they provide any services.
- The company does not tell you your rights and what you can do for free.
- The company recommends that you do not contact any of the three major national credit-reporting companies directly.
- The company tells you they can get rid of most or all the negative credit information in your credit report, even if that information is accurate and current. No one can do this.
- The company suggests that you try to invent a "new" credit identity — and then a new credit report — by applying for an Employer Identification Number to use instead of your Social Security number.
- The company advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.

It is a federal crime to lie, misrepresent your Social Security number, or to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

If you have complaints or concerns about a credit repair scam or have problems getting an error on your credit report fixed, please contact the FTC. You can file a complaint with the Consumer Financial Protection Bureau at www.cfpb.gov or with Federal Trade Commission at www.ftccomplaintassistant.gov or call 1-877-FTC-HELP.

FREE ISN'T ALWAYS FREE

Watch for companies that claim your credit score is free as they may start charging your credit card for a monitoring fee each month. Use www.annualcreditreport.com or ask the installation Financial Counselor where else you can obtain your report/score.

HOW DOES THE CREDIT SCORE IMPACT YOUR TRANSITION AND BACKGROUND CHECKS

Employers frequently conduct background checks on current and potential employees. These checks generally include obtaining a credit report. Ensuring your credit report reflects accurate and correct information helps you present your best image to a potential employer.

METHODS TO MANAGE STUDENT LOAN PAYMENTS THAT CAN AFFECT YOUR CREDIT SCORE

Student loans and the repayment of those loans, just as any other loan, can affect your credit score. There are ways to manage and lower the student loan payment to ensure you continue to make the payment and not default.

Loan consolidation, income based repayment, extended repayment, public service loan forgiveness and graduated repayment are just a few. To find out information on these and other repayment plans including how to qualify, how to apply and a repayment estimator visit www.studentaid.gov and www.studentloans.gov.

For more detailed information on student loan repayment options visit the Consumer Financial Protection Bureau website – www.cfpb.gov, Student Aid – www.studentaid.gov and Student Loans – www.studentloans.gov

cfpb Consumer Financial Protection Bureau

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Section 1.3: Evaluate Salary and Total Compensation

COMPETENCY

Participants will evaluate salary and the total compensation package

LEARNING OBJECTIVES

Participants will:

- Analyze military compensation and compare to civilian compensation.
- Compare compensation packages between Company A and Company B.
- Identify different types of civilian healthcare benefits and options that affect pay.
- Understand the basics of health and life insurance.

SALARY AND COST OF LIVING

Many of you will be relocating to another area when you transition. It is important to understand the financial impact this may have on your salary needs and expectations. Some areas to consider include:

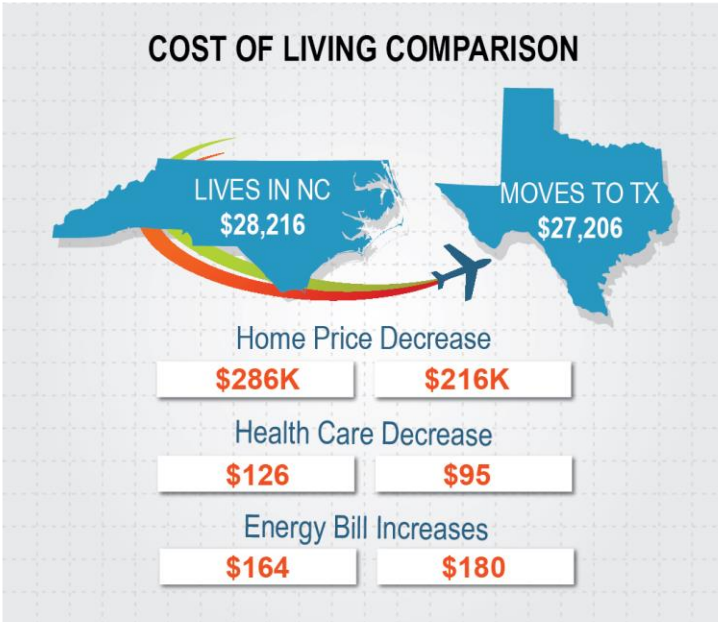
- Salary
- Housing
- Utilities
- Taxes (including tax benefits for Veterans)
- Food, child care, commuting costs, clothing, entertainment, school costs, climate, medical insurance

Example: An E-4 transitioning from active duty at four years; base pay is $28,216 a year in Jacksonville, NC. What would be the cost of living comparison of moving to Dallas, TX? Here are some considerations for this E-4:

- Salary comparison according to Bankrate.com would be $27,206
- Home price will decrease from $286,398 to $216,348.
    - What will the interest rate be at the time will your monthly payment drop?
    - Will you be carrying more than one house?
    - What about renting costs vice buying what is the difference?
- Health Care will decrease from $126 to $95 (estimate is probably for a single person)
    - What are companies offering in their benefit package?
    - How much more will you be paying for medical/dental premiums for single/family, co-pays, deductibles, co-insurance, etc.
    - What are doctors charging at that location?
- Total energy bill would increase from $164 to $180
    - Is it gas, electric, or propane? Well or city water, etc.?
    - Is it a cold or hot environment?
    - Is your home built to save energy?
- Taxes (including tax benefits for Veterans)
    - Will you lose or gain tax benefits for being a Veteran?
    - What are the property taxes on your car, home, personal property?
    - Will you be paying state income taxes now?
    - How much will your car registration and tags cost at the new location?
- Food, child care, commuting costs, clothing, entertainment, school costs
    - Is your commuting costs going to go up?
    - Will you pay more for transportation?
    - What is the cost of school for your children? Will they be going to public or private school? What is the cost of activities?
    - What is the cost of food and clothing

All of these factors impact the total salary required to maintain your standard of living in a new location.

These are resources that have the tools you need to determine these factors, including www.bestplaces.net, www.bankrate.com, www.kiplingers.com, www.military.com, www.retirementliving.com.



Monthly Military Pay (Single E5 > 4 yrs)		Monthly Civilian Pay ($26/hr)	
Base Pay	$2238.00	Base Pay	$3553.92
BAH	$948.00	Fed Tax	$-751.14
BAS	$367.92	State Tax	$-213.33
Fed Tax	$-310.02	FICA	$-414.00
State Tax	$-32.45	SDI	$-45.07
FICA	$-234.00	Medical	$-126.00
Net Pay	**$2977.47**	**Net Pay**	**$2004.85**

Compensation Comparison

So what is a "compensation package"? It is the total value of an employee's salary, benefits, and other payments (such as bonuses and commissions). Once you know the exact income replacement amount you will need, you can then compare different compensation packages.

TIP: When comparing salaries, you must also compare the benefits packages. Sometimes a lower salary may have better compensation package than a larger salary, which expects you to pay more.

Scenario: You might compare a job that is paying you an extra $500 in base pay, but you must pay out of pocket 75% of costs for your healthcare coverage. You may find that those premiums will run in excess of the additional $500 you will receive in base pay. It might be worth considering another option that may have a slightly smaller base pay, but a more robust benefits package.

BENEFITS PACKAGE

When discussing Total Compensation, benefits are a significant factor to consider. Often times when we hear the term benefits we think only of health/medical care, however companies today, in order to be competitive, are offering more and more "perks" that fall under the umbrella of benefits.

HEALTH CARE

As a Service member, you have become accustomed to having your health/medical benefits completely covered. There has been no need to worry about the cost of medicines or if there will be a co-pay, or even if the doctor is in your network. As of the date of your separation or the date of your retirement, healthcare options will change. Be prepared, know your options and be able to make informed decisions.

Health Care after Transitioning

Healthcare insurance is different for seperatees and retirees. If retiring, you have 30 days to sign up for Tricare for Life from your date of retirement or there may be penalties; 60 days if you are choosing another option such as insurance through an employer or the marketplace.

For those separating, 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. Following TAMP, Tricare offers Continued Health Care Benefit Program (CHCBP), which can offer coverage for up to 18 months. There is a quarterly premium, co-pay and deductible associated with CHCBP.

For more information and to determine eligibility in any of these coverage options go to www.tricare.mil.

For members of the National Guard and Reserve, the eligibility requirements are different. Please visit www.tricare.mil for more detailed eligibility information.

Types of Plans

No matter if choosing to enroll in a group or individual plan, generally there are only a few types of plans. Below are the most common types:

- Preferred Provider Organizations (PPO)
    - PPO contracts with medical providers, such as hospitals and doctors creating a network of participating providers. There is generally a monthly cost to use the network, along with co-pays for service. There is no Primary Care Manager; you can see any provider in the network without a referral.
- Health Maintenance Options (HMO)
    - HMO provides care, which is managed by a Primary Care Manager (PCM). To be seen by a specialist, the referral must come from the PCM.

- Point of Service (POS)
    - POS combines the managed care and limited choices of the HMO with the ability to make referrals outside of the network of providers. The cost may be higher for this referral and the patient may be responsible for the initial payment and submit paperwork for reimbursement.
- Cafeteria Plans
    - In a cafeteria plan, an employee receives a certain number of dollars from the employer to purchase particular components of a benefits plan.

Individual or Group Insurance

Group health insurance is generally negotiated between an insurance company and a group (such as a company). Due to this group negotiation, the cost to the individual within the group plan may be less. No individual within the group can be denied coverage, but there may be fewer choices of coverage types or networks.

Since this is generally the option used by employers, your future employer can offer you 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, there may be a questionnaire or physical exam involved before you are accepted to be covered but there are more choices for individualization of plans.

Due to changes in healthcare laws, some employers are opting for you to find your own healthcare coverage. The Healthcare Marketplace can assist you and help you understand the different plans and costs associated with purchasing health insurance.

Also, be aware that it is now a requirement for everyone to have health insurance. If you are without health insurance, you could be charged a penalty when you submit your tax return.

Veteran Specific Site on Healthcare Marketplace

Visit www.healthcare.gov/veterans for information and help in understanding your transition and healthcare options.

For more information, visit the following websites:

- https://www.marketplace.cms.gov
- www.healthcare.gov/using-insurance
- www.tricare.mil
- http://www.tricare.mil/reserve/

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

LIFE INSURANCE

The purpose of life insurance is to replace the loss of income upon the death of the insured. Therefore, life insurance is aspect of the Compensation Package a transitioning Service member must consider. When you transition, the SGLI is no longer an option. But there are other options available:

- Veterans Group Life Insurance (VGLI) – allows Service members to convert their SGLI coverage to renewable term insurance (www.benefits.va.gov/insurance/vgli)

- Term Life Insurance – provides coverage at a fixed rate of payments for a limited period, the relevant term. When the term (time) expires, so does the coverage, to renew may be at a higher rate or with conditions. This is the least expensive way to purchase substantial death benefits.
- Universal or Whole Life Insurance – policy designed to build a cash value that is tax deferred and have a guaranteed benefit when the insured dies. This insurance generally is set to mature around age 100 and is less expensive the younger you are when you buy the policy, but is frequently more expensive than term life insurance.

Included in your 'perks' may be life insurance for you or your family. Understanding the coverage, the terms and if there is any cash value is important to know. If your employer does not offer life insurance, many companies will sell life insurance to you and your family. Do the research and be an informed consumer before purchasing. If you have questions regarding life insurance, see your installation financial counselor.

ADDITIONAL COMPANY BENEFITS (PERKS)

Below is a list of "perks" that employers may offer that should be considered in your financial planning:

- Transportation reimbursement such as public vouchers or free parking
- Discounted/free gym membership
- Pays a larger portion of your insurance
- Free life insurance (you and family)
- Strong retirement package – short vesting period; contribution matching, etc
- Significant Vacation/Personal/Sick leave (immediate, accrued, can go in the hole?)
- Short- and long-term disability - (Is it fully covered by employer?)
- Promotion opportunities - (how quickly, what are the expectations?)
- Money for education and certifications - (Is there a commitment?)
- Relocation services, commitment to keeping you employed with contract changes
- Job location (state with no state income tax; low cost of living; good commute)
- Company investment plan (stock options, etc.)

As you can see there is so much more to evaluate besides the salary when analyzing a "Full Compensation Package."

TIP: For further assistance with health care, life insurance or a question on benefits, contact your installation Personal Financial Professional, your Transition Assistance manager, the Human Resources at your new employer or contact Military OneSource www.militaryonesource.com.

Section 1.4: Leveraging Resources for Your Financial Future

COMPETENCY

Understand resources for investments and retirement in your long-term financial goals.

LEARNING OBJECTIVES

Participants will:

- Identify where to find TSP information and regulations to understand significant restrictions and penalties that affect finances
- Explain the difference between a Defined Benefit Non-Contribution (Pension) Plan as compared to a Defined Contribution Plan
- Describe a common vesting schedule
- Understand the concept of compound interest
- Analyze optional investment vehicles.

THRIFT SAVINGS PLAN

Service members who participated in the Thrift Savings Plan (TSP) while in the military have options available to them when leaving military service:

- Leave the funds in your TSP account (for account balances of at least $200. You may be able to contribute outside funds to it later on.)
- Transfer your TSP directly into another eligible account, such as an IRA or a civilian 401(k) plan https://www.tsp.gov/planparticipation/transfers/benefits.shtml and https://www.tsp.gov/planparticipation/withdrawals/withdrawingAccount.shtml
- Transfer your TSP account to a qualified annuity

Contact TSP:
(1-TSP-YOU-FRST)
www.tsp.gov

- Withdraw your TSP funds subject to substantial tax and fees. http://www.irs.gov/publications/p721/ar02.html and https://www.tsp.gov/planparticipation/withdrawals/taxesOnWithdrawal.shtml

Warning! There are deadlines and rules on withdrawals. If you withdraw the funds you will be taxed on the withdrawal and will be charged a 10% penalty on the withdrawn funds if the withdrawal is made prior to age 59 1/2.

It is a good idea to consult with a financial specialist prior to making a withdrawal from a tax deferred investment account.

For more information on TSP options, withdrawal deadlines, taxes, and other details concerning TSP, call the ThriftLine at 1-TSP-YOU-FRST (877-968-3778), or visit the TSP website at www.tsp.gov.

TIP: Seek a tax advisor/planner if you have questions regarding tax implications to your federal/state taxes. The installation Personal Financial Counselor can provide you with basic information on the tax implications.

RETIREMENT

Regardless of whether you are separating or retiring from the military, there are many factors you will want to consider in making financial plans for the future Most employers have 401Ks or other similar plans intended to help an employee save for retirement, while the employer may match to a certain percentage. Pensions, savings accounts, money market accounts, mutual funds, investment funds and IRAs are popular options many use to grow and fund their retirement. .

This section discusses basic information that is pertinent to retirement planning and employment considerations as you prepare for transition.

Some of the first questions that you should ask the Human Resource representative of your potential future employer are:

- When do the company contributions start (is there a waiting period after hire)?
- When is my account credited with 100% of the company's contributions as my own (vested)?
- Does the company use a graduated vesting schedule where I receive a percentage at certain specified dates, (e.g., 10% at two years, 20% at five years, etc.), or a cliff vesting schedule where an employee receives full benefits at a specified date?

We encourage you to ask your installation Financial Counselor about these topics. Many installations offer classes on retirement planning.

Funding Your Retirement

Retirement Plans – Pensions

There are two general categories of retirement pensions provided as a result of employment:

1. **Defined-Benefit Plan:** A defined-benefit plan is the traditional company pension plan. It is called a "defined benefit" 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. The military retirement pension is an example of a defined-benefit plan.
   - Funded mostly by the employer
   - Responsibility for the payment of the benefit and all risk on funds invested to pay out that benefit rests with the employer
   - Like separation pay and unemployment pay, it is also considered a type of compensation.

2. **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) and 403(b) plans, Roth 401(k) and the Thrift Savings Plan (TSP), Savings Incentive Match Plan for Employees (SIMPLE) IRA, Simplified Employee Pension (SEP) IRA, Employee Stock Ownership, (ESOP), and profit sharing.
   - 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 amounts contributed and on the investment performance of that account through the years
- In such plans, the investment risk may rest solely with the employee because of the opportunity to choose from a number of investment options

Social Security Income

Another source of retirement income is your federal Social Security entitlement. The amount of benefit to be collected is based on your age and the amount withheld from your paycheck over the course of your working life. The Social Security Administration provides an online retirement estimator tool on its website at http://www.socialsecurity.gov/estimator/.

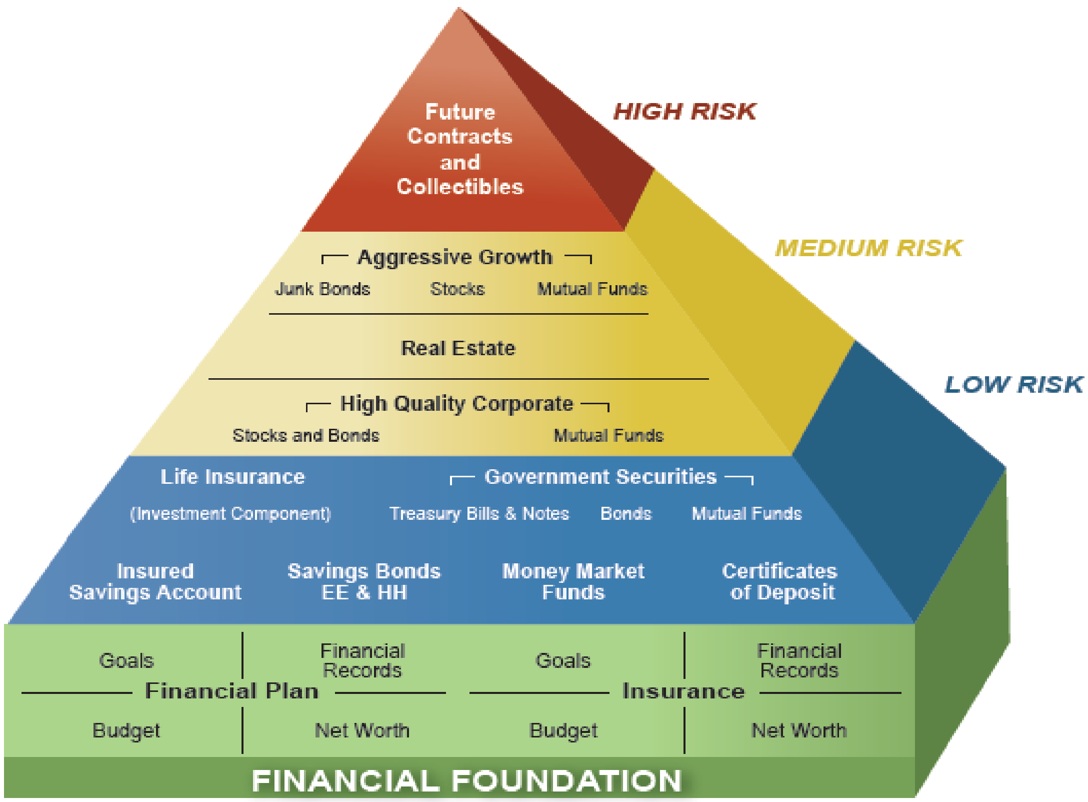
Investment Options

Depending on where you are in life can determine your level of acceptable risk for investing. At the base of your investments sit your goals, budget, net worth, and insurance. The first level of the pyramid, having the lowest risk, is cash, savings accounts, money market accounts, and certificates of deposit. These are secure forms of investment, which are minimally affected by stock market or financial market fluctuations.

The next level is bonds. These investments are bought for a lower amount than the face value but will generally mature to full value after a set period. These are also minimally affected by market volatility.

Mutual funds, stocks, and real estate are next. These can offer a higher return on the initial investment but can also lose value. The increase or decrease is based on such variables as market fluctuation and changes in real estate valuation.

Finally at the top are high-risk investments such as futures and options. These have a high risk of loss and the potential for a high return and generally require a more advanced level of knowledge than that of the average investor.



CUTTING TAXES WHILE INVESTING

While saving and investing for your future are important, failure to consider the tax implications of your saving and investment vehicles can reduce their effectiveness. There is no one size fits all solution to saving and investing. Consider your options and consult with a professional if you need more information.

Some popular investment vehicles that can reduce your tax liability either now or in the future are listed below.

Traditional or tax-deferred accounts allow the investor to delay paying taxes on contributions and earnings. Traditional 401(k), IRA, TSP are some pre-tax contribution examples.

- An immediate benefit of these accounts is that the contributions made to them are deducted from gross pay before income taxes are calculated, so taxable income is reduced today
- Another advantage to employer-sponsored plans, if offered, is matching contributions – essentially free money, and you should always try to take advantage of the matching maximum

Roth or after-tax accounts allow the investor to pay taxes on contributions now with the assumption they will be taxed at a higher rate at the time of withdrawal.

There are a number of theories with regard to Roth vs traditional tax advantages. Some theories look at what will the tax rate be in the future, what type of deductions will you have, and what will your income/tax bracket be upon retirement. Ultimately, only you can determine the best product for your needs. A chart is provided to give you some basic points for comparison.

NOTE: See your installation personal financial professional to discuss basic information on tax-deferred accounts such as Traditional IRAs, Keogh plans, Simplified Employee Pension-Individual Retirement Accounts (SEP-IRA) for self-employed individuals, Roth IRAs, bonds, and other investment options including options for high-income earners.

What Is Compound Interest?

Compound interest is a powerful weapon in your retirement planning arsenal. Consider this example: Bob is 25 and has decided he should start saving for retirement. His goal is to have at least $1,000,000 when he reaches age 65. If he starts saving today and makes monthly deposits to a 6% rate of return account, he must save $361 each month. That may sound like a lot to you, but consider this. If Bob waits until he is 30 to start saving, he will need to save $700 each month. The bottom line is, the sooner you begin saving the longer your money has to work for you. It is never too early to being saving for retirement.

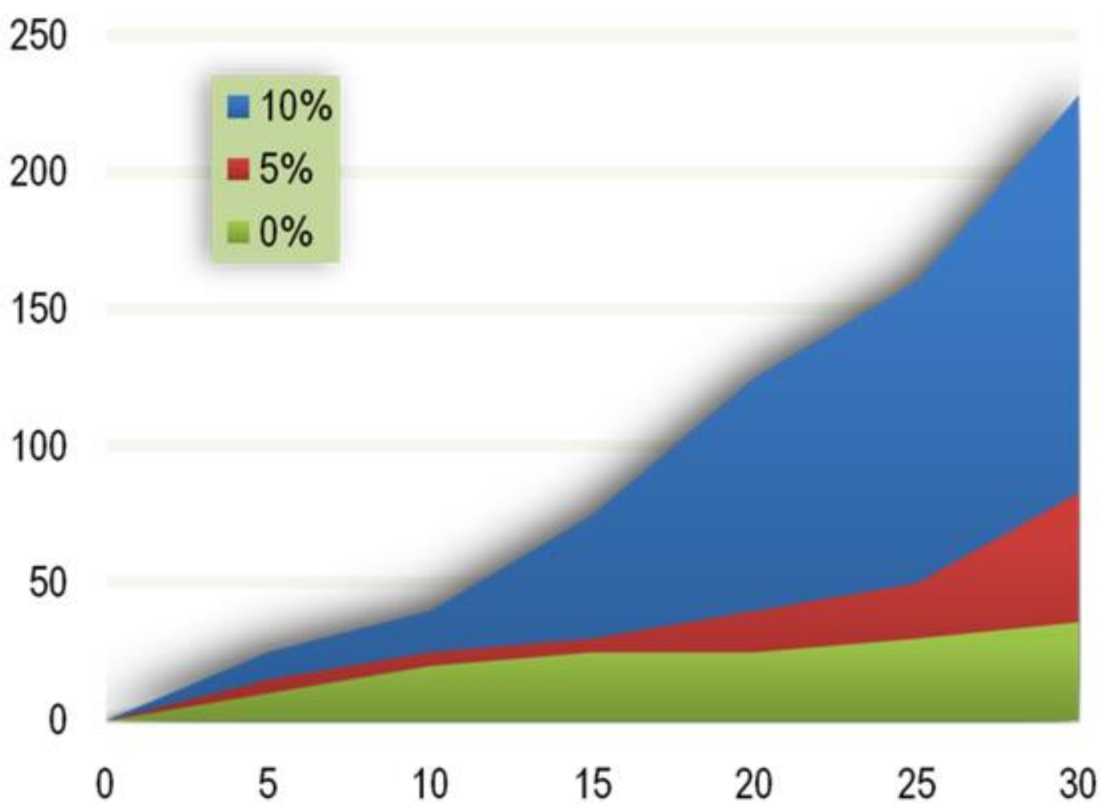
Your savings may be distributed through regular savings accounts, money markets, or a balance between that and other investments such as stocks, bonds and more.

Get the powers of compound interest working for you early. It will take significantly less out of your pocket if you start when you are younger and it will increase money available when needed at retirement. Look closer at how this concept works.

Investment tools such as stocks, bonds, mutual funds vary in risk. Typically, higher risk products carry a higher return on investment. It is important to determine your risk tolerance before making investments. It is equally important to periodically review your decisions as risk tolerance can vary with age and economic climate. Before transition, attend a workshop on investing with your Installation Financial Counselor.

These online calculators may assist you when you are planning for retirement needs:

- http://www.bankrate.com/calculators/savings/compound-interest-calculator-tool.aspx
- http://www.investor.gov/tools/calculators/compound-interest-calculator



Section 1.5: Evaluate the Cost of Living

Competency

Understanding cost of relocating and changes in cost of living between two locations.

Learning Objectives

Participants will:

- Evaluate costs of moving to the new location
- Calculate housing costs including rental vs. home ownership
- Evaluate your relocation needs and seek assistance at your installation Family Center regarding your move

Now, that you have a better understanding of your salary and compensation and some of the factors that relate to cost of living that went into your salary considerations you will need to compare costs of moving, renting versus buying, how to handle your current home, and where to obtain assistance with relocation.

Costs of Relocation

When researching the relocation and cost of living the following should be evaluated:

- What is it going to take to move you and how much will be out of your pocket?
    - Moving truck, supplies, people
    - Transportation (gas, car repairs, lodging, food)
    - Down payment or first/last month rent
    - Costs to set up residence (paint, curtains, tools, state vehicle tags/registration, etc.)
    - Costs to set up utilities (no military waiver/discount anymore)
    - Children or pet costs (prior, during and after the move)

Renting vs. Buying

There are advantages and disadvantages to both renting and buying.

Rent

Renting may be a better choice for you if:

- **You move a lot (your job requires mobility) –** you want the ease of moving without the fuss of selling or renting your home.
- **You are unfamiliar with the area** –you may want to identify a neighborhood and rent there first to determine its ultimate long-term desirability.
- **You are low on cash** –renting can enable you to save for a down payment, closing costs, and other costs associated with home ownership.
- **Maintenance costs** – of a home can exceed those of renting.
- **You prefer more fixed expenses –** there are many variables, unplanned expenses when you own a home.
- **You do not want the risk losing equity** – however you will not gain any equity either.
- **You do not mind not being able to personalize your home** – often with renting you take the dwelling as-is, and the landlord may not be willing to let you paint or change anything.
- **Tax advantages** that come with owning a home may or may not help you.
- **You do not want to be a landlord –** if you buy a home and have to move, you may be unable to sell it for profit or unable to sell it at all.

Buy

Buying may be a better choice for you if:

- **You hope grow equity** –Equity in a home can be an excellent source of retirement security, if the mortgage is paid off and equity in the home grows. It could also be a great long-term investment as a rental as long as you can financially support all home ownership requirements.
- **You have money for the larger initial investment** – involved in buying a home.
- **You want to itemize** - to minimize taxes. Mortgage interest on your primary residence, real estate taxes, and some other home expenses qualify as itemized deductions, which can reduce your tax liability.

- **You are ready for stability and a sense of community** – Buying a home automatically commits you to a region and a neighborhood. You become interested in the zoning laws, the tax rates, the city's/county's plans for expansion and growth, and the appearance of your neighbor's property.
- **You do not mind the possibility of becoming a landlord** –Rental property can generate positive cash flow, but it is important to keep a solid financial cushion for unexpected expenses such as maintenance or times when the property is vacant or the rental income is overdue.
- **You have the financially ability** – to support multiple homes if you must relocate or your rental property is vacant or the rental income is overdue.
- **You like to remodel/fix** and personalize your home
- **You can financially manage fluctuation** – in expenses due to repairs, maintenance, etc.

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

- http://www.freddiemac.com/homeownership/calculators/
- http://www.freddiemac.com/singlefamily/service/mha_modification.html
- http://www.realtor.com/home-finance/tools/rent-or-buy-calculator
- http://money.msn.com/home-loans/rent-or-buy-calculator.aspx
- http://www.bankrate.com/calculators/mortgages/rent-or-buy-home.aspx
- http://www.knowyouroptions.com/

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

MORTGAGE CONCERNS AND RESOURCES FOR HELP

If you plan on moving but your home is not selling, you are upside down on the mortgage, you can't afford the payments then options to you may be:

- Selling your Home
- Modification of the loan
- Renting
- Short-Sale
- Foreclosure
- Deed in Lieu of Foreclosure
- Negative Equity

This information can be very specific and covers too much territory for this course. However, your Installation Financial Counselor and other resources mentioned in this financial course may be great resources to help you start the process of where and how to work the process.

Here are some websites to obtain additional information:

- http://www.makinghomeaffordable.gov/pages/default.aspx
- http://www.usa.gov/Citizen/Topics/Family/Homeowners/Foreclosure.shtml
- http://portal.hud.gov/hudportal/HUD?src=/topics/avoiding_foreclosure/workingwithlenders
- http://www.vba.va.gov/ro/cleveland/foreclosure_alternatives.htm
- http://www.benefits.va.gov/HOMELOANS/resources_payments.asp
- http://www.freddiemac.com/mortgage_help/index.html
- http://www.consumerfinance.gov/mortgagehelp/
- http://www.federalreserve.gov/consumerinfo/foreclosure.htm

RELOCATION RESOURCES

The Transportation Management Office (TMO), and Personal Financial Management Specialist (PFM) can assist with information regarding:

- Entitlements
- Allowances
- Needs
- Costs

Section 1.6: Understand How Taxes Change

COMPETENCY

Participants will understand how taxes will change and be able to navigate free resources to use during and after the course of their transition

LEARNING OBJECTIVES

Participants will:

- Navigate resources to include irs.gov, VITA, state tax calculators, and military pay
- Locate and contact personal financial educator located in the military family service centers, as applicable
- Contact installation legal offices for Wills, Powers of Attorney, Estate/Tax Planning and other legal documents, as applicable

TAX IMPLICATIONS

Now that we have spoken about budgets, financial impact of transitioning, cost of living, total compensation, investing, insurance, and health care a final topic to consider is changes in taxes.

Even though everyone has to pay federal income taxes, there are special considerations for those in the Military.

After transitioning from service, it is probable that your tax situation will change. It is important to understand how this will affect your future financial situation.

UNDERSTANDING HOW TAXES AFFECT YOUR INCOME

The following are changes that you need to prepare for:

- **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 residence (such as Florida or New Hampshire); however, as a civilian, you may start paying an income tax depending on where you relocate.

- **All Income is Taxable:** Also, while in uniform you have been receiving compensation that is not taxable. Except in a few circumstances, ALL your civilian salary will be taxed at both the federal and state levels. In some areas county and city tax 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 – Remember, the IRS will charge interest on any unpaid amount due on the April 15 deadline.

- **Property Taxes:** You may have been exempt from certain local and or property taxes while you were serving that you will now be responsible for paying. You may have also received substantially discounted rates for vehicle registration and tags by registering as a military non-resident where you were stationed. These expenses should be considered as you transition.

Monthly Military Pay		Monthly Civilian Pay	
Single, E 4, North Carolina		Annual Salary: $42,647.04 or $20.50 per hour	
Base Pay	$ 2,238.00	Base Pay	$ 3553.92
BAH	$ 948.00		
BAS	$ 367.92		
Gross Annual	$3,553.92	Gross Annual	$3,553.92
Tax Deductions		Tax Deductions	
FICA	$234.00	FICA	$414.00
Social Security	$138.76	Social Security	$220.34
Medicare Tax	$32.45	Medicare Tax	$51.53
Total Federal Deductions	$405.21	Total Federal Deductions	$685.87
Net Income after taxes	$3,148.71	Net Income After Taxes	$2,868.05
Difference of $280.67 per month			

NOTE: This does not include state tax or health insurance, both of these will lower the net income on the civilian pay.

There are resources that can help you determine your federal, state, and sometimes local tax obligations. The IRS provides a W-4 calculator at www.irs.gov/Individuals/IRS-Withholding-Calculator that can assist you in determining the amount you should have withheld from your paycheck for taxes. Many states have similar tools on their websites. Just as you had a VITA site on your installation to help you prepare and file your taxes while on active duty, there are VITA sites in the civilian sector as well.

Understanding and preparing for your tax and income changes will help you realize what your actual net income will be compared to your current military net pay. Understanding that these extra deductions will lower your net income helps you determine if your post-transition income will cover your needs.

IMPORTANCE OF PREPARING FOR TRANSITION

While on Active Duty, contact the installation legal offices for wills, power of attorneys, estate/tax planning and other legal documents, as applicable, prior to transition. After separation, you will have to pay a civilian lawyer or other professional for this service.

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 if these are done to protect your assets and your family.

Work with your tax preparer or use the websites mentioned in this section to make an informed estimate of your projected withholdings and exemptions to determine your future taxes.

- http://www.irs.gov/
- http://www.irs.gov/Individuals/IRS-Withholding-Calculator
- http://www.bankrate.com/taxes.aspx

Your state may also have its own state income tax, property tax and other calculators.

Accessing myPay After Transition

As you prepare to leave service, it is important to update your myPay and payroll accounts so you can easily access your pay and tax information without your Common Access Card (CAC). If you are separating, you will maintain access to your myPay account for 13 months. If you are retiring, you will have new Log-in credentials but continued access.

NOTE: Be sure to access myPay at least 30 days prior to transition using your personal device.

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; then
- 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; then
- 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 card 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 myPay W2s Within 13 Months Of Separation. Retirees Will Receive All Future Tax Statements In Your Account.

For assistance with myPay contact:

DFAS: http://www.dfas.mil/militaryseparations.html
myPay: http://mypay.dfas.mil/
Customer Service: 1-888-DFAS411 or 1-888-332-7411
Travel Voucher Status: 1-888-332-7366 (option 1)
Online, Customer Service ask DFAS: http://go.usa.gov/g4Q

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.*

SUMMARY

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

Your required Career Readiness Standard (CRS) is completion of the 12-month post separation budget. You have already begun the process of creating your budget, and you have a strong foundation of knowledge to complete this CRS requirement!

ITP UPDATE: **Block 1, Section C**

TRANSITION GPS PARTICIPANT ASSESSMENT

www.dmdc.osd.mil/tgpsp/

Please take a few minutes to take the Transition GPS Participant Assessment located at the website above.

The Participant Assessment is an integral part of our curriculum review process. Every answer and comment provided by a Service member is taken into consideration when reviewing the curriculum. For FY 15 review, the following things were changed due to Service member feedback:

- Removal of unnecessary information
- Additional information on Healthcare and Life Insurance

Please take the time to complete the survey, provide any necessary feedback and know that your comments will make a difference in improving the Financial Planning course. Thank you!

	Roth IRA	Traditional IRA	Roth TSP	Traditional TSP
Contributions	Contributions are NOT tax deductible. IRS limits annual contribution amts. IRS also set AGI limits for Roth eligibility. Some taxpayers earn too much to qualify for a Roth IRA	Contributions may be tax deductible up to limits established by IRS annually. IRS limits annual contribution amounts.	Roth contributions were taxed prior to going into the TSP and are therefore no longer subject to Federal (and where applicable) state and local income taxes.	Contributions are deducted from pay before Federal taxes are withheld Federal taxes are computed and withheld only from the reduced salary
Earnings	Earnings may be withdrawn tax free provided account has been open at least 5 years and you are at least 59 ½ yrs. old at time of withdrawal.	Earnings are taxed upon withdrawal.	Tax-free earnings if five years have passed since 1 Jan of the year of first Roth contribution AND age 59 ½ or older, permanently disabled, or deceased	Earnings are taxed upon withdrawal.
Transfers	Not authorized for tax deferred accounts.	The TSP will accept all or a portion of a distribution from a traditional IRA except a distribution that: • is a minimum distribution required by IRC § 401(a)(9); or • consists of after-tax balances (i.e., money that has already been subjected to Federal income tax). (transfers do not count against annual contribution limits).	Transfers allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s. Transfers out allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs.	TSP accounts may be transferred into an employer provided 401(k), 403(b), 457(b) or a traditional or Roth IRA. TSP accounts over $200 may also be left in TSP until the Participant must begin required minimum distributions retirement, even after member leaves federal service. Other employer 401(k) accounts may be transferred into your TSP account.
Withdrawals	Contributions may be withdrawn at any time without penalty. Earnings withdrawn before age 59 ½ carry a 10% penalty plus tax.	Contribution or earnings withdrawals prior to age 59 ½ subject to 10% penalty plus tax.	Active participants may borrow for a general purpose or residential loan.	Active participants may borrow up to 50% of the total account balance. Early distributions are subject to penalty and taxes.
Mandatory Withdrawals	No mandatory withdrawal age.	By April 1st of the year following the year you become 70½, you must begin to take required minimum distributions from the aggregate of all of your Traditional IRAs.	By April 1st of the year following the year you become 70½ and are separated from service, you must begin to take required minimum distributions from your TSP account, to include Roth balance	By April 1st of the year following the year you become 70½ and are separated from service, you must begin to take required minimum distributions from your TSP account, to include Roth balance

Personal Financial Planning Resource Guide

VALUE OF ASSETS

Value of savings bonds: www.savingsbond.gov
Estimate your home value: www.zillow.com
Car value: www.kbb.com

PAY & ALLOWANCES

DFAS: http://www.dfas.mil/
MyPay: https://mypay.dfas.mil/mypay.aspx
BAH: https://www.defensetravel.dod.mil/site/bah.cfm
Online, Customer Service ask DFAS: http://go.usa.gov/g4Q

HEALTHCARE

Marketplace for Veterans: www.healthcare.gov/veterans
Marketplace: https://www.marketplace.cms.gov
Health Insurance: www.healthcare.gov/using-insurance
Tricare: www.tricare.mil
Tricare Reserve Healthcare: http://www.tricare.mil/reserve/

INSURANCE

SGLI/VGLI: http://www.benefits.va.gov/insurance/

INVESTMENT

TSP: https://www.tsp.gov/index.shtml

TAXES

IRS: http://www.irs.gov/
State Tax Calculator: http://www.taxformcalculator.com/state_tax.html

MILITARY PROTECTIONS AND CONSUMER AWARENESS RESOURCES

Service members Civil Relief Act (SCRA): https://www.dmdc.osd.mil/appj/scra/scraHome.do
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/
Federal Trade Commission: http://ftc.gov/
FTC – Identity Theft: http://www.ftc.gov/bcp/edu/microsites/idtheft/

CREDIT REPORTS

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

MORTGAGES

CFPB – Mortgage Help: http://www.consumerfinance.gov/mortgagehelp/

VA – Home Loans: http://www.benefits.va.gov/homeloans/

EDUCATIONAL BENEFITS

GI Bill: http://www.gibill.va.gov/

Federal Student Aid: http://studentaid.ed.gov/

COUNSELING and ASSISTANCE

Navy-Marine Corps Relief Society: http://www.nmcrs.org/

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

CPFB – FAQ: http://www.consumerfinance.gov/askcfpb/

American Job Centers: http://job.center.usa.gov/

National Foundation for Credit Counseling: https://www.nfcc.org/

OTHER FINANCIAL RESOURCES

Navy – Personal Financial Management (PFM):
http://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/personal_finances/pfm_overview.html

Military Saves: http://www.militarysaves.org/

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/

http://moneyu.com/index.php/better-business-bureau-militaryline