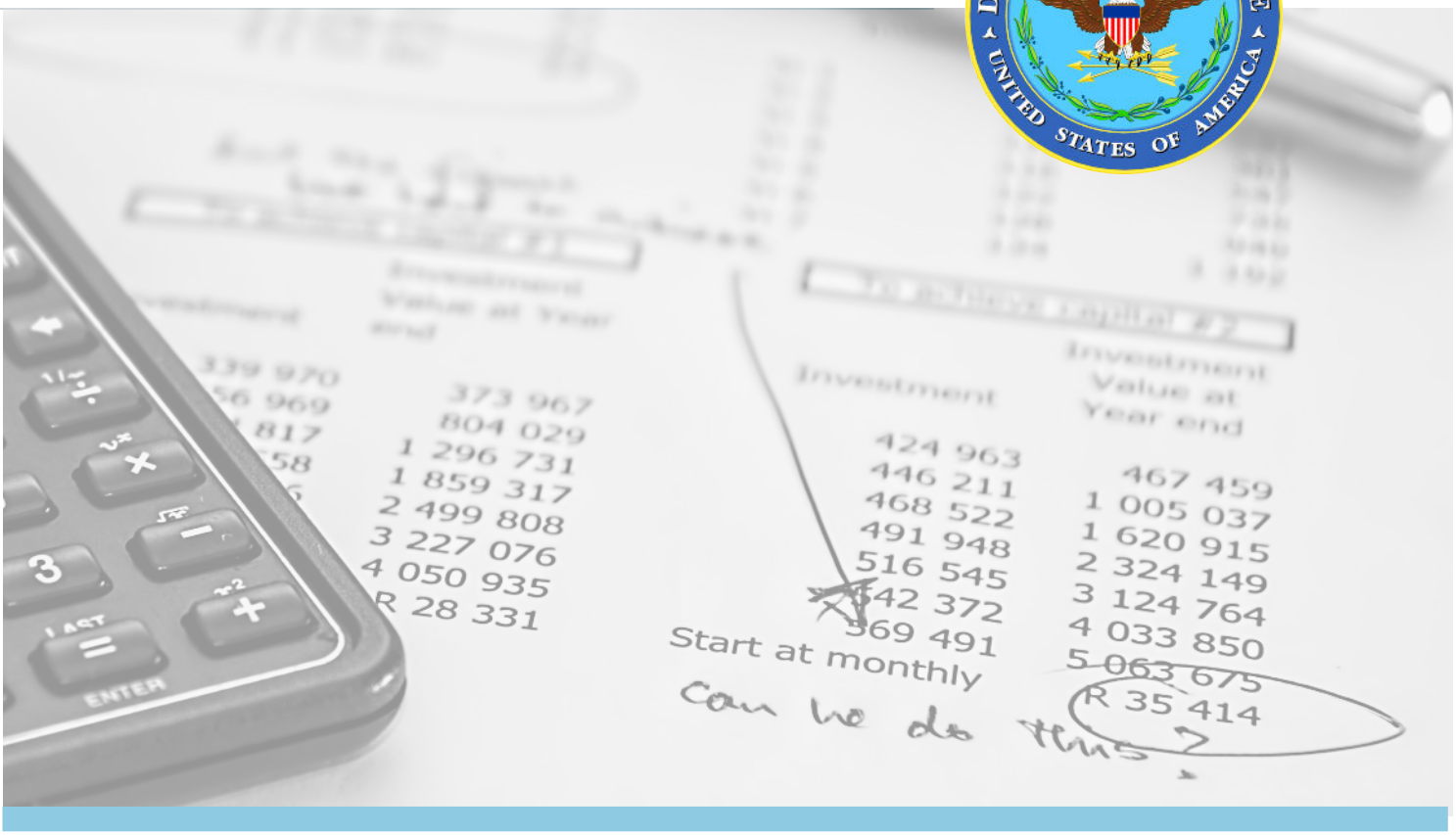

2025 TAP CURRICULUM

FINANCIAL PLANNING FOR TRANSITION

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Disclaimer

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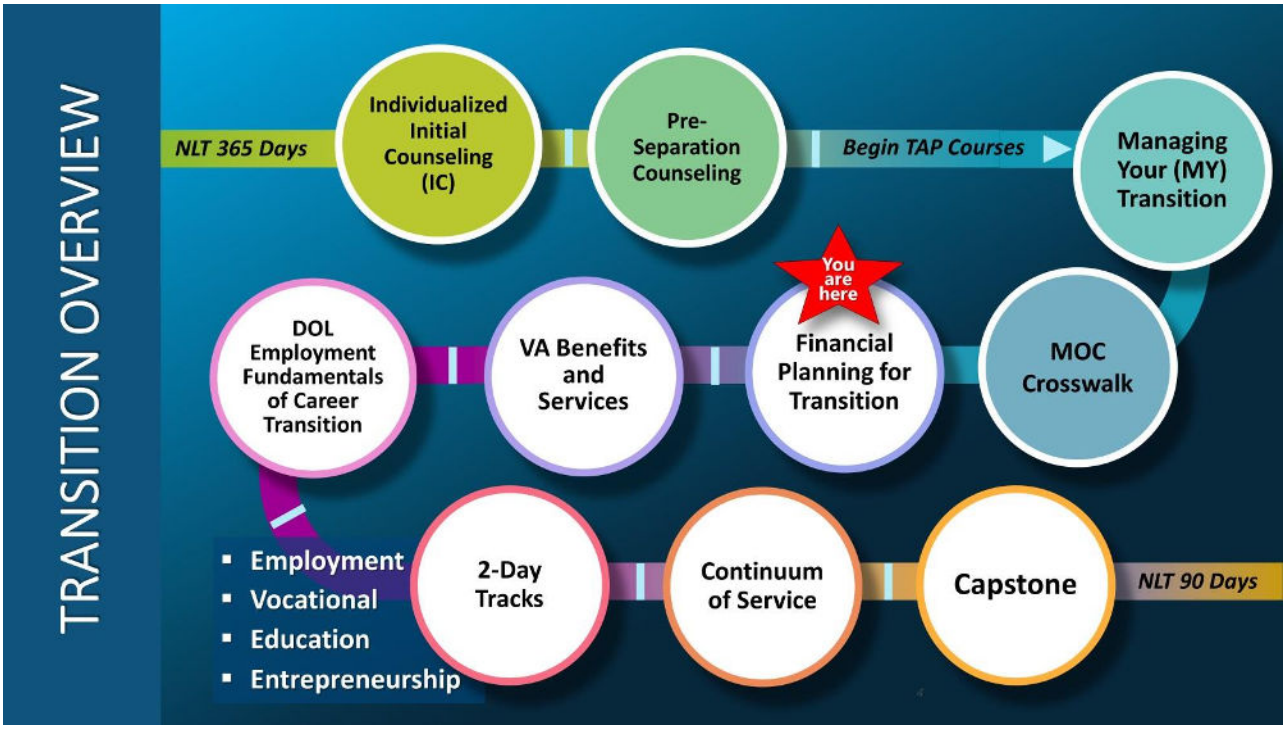
All websites and URLs in this guide were active at the date of publication. However, web content is subject to change without notice. Users of this guide are advised to confirm information is current.



Financial Planning for Transition

Course Competency

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

This Financial Planning for Transition course will focus on the financial aspect of **YOUR** transition. Using various websites and resources, you will identify possible changes to your finances due to transition to include salary requirements, taxes, and healthcare costs.

The course builds on what you have learned from previous financial readiness courses that you attended throughout your military lifecycle. By using knowledge you gained from previous courses and the content covered in this course,, you will be prepared to complete the Career Readiness Standard (CRS) associated with this module—a transition spending plan.

Why a Spending Plan for Transition?

In previous financial courses, your spending plan focused on where you are now and maybe how to improve your financial situation. Now it is time to re-examine your spending plan with a focus on post-military life. If you have not previously created a spending plan, now is the time.

A spending plan geared toward transition will provide you with an understanding of your current financial situation. Discussions of income, expenses, debt, credit, and assets will provide knowledge and awareness of changes that will affect your financial situation during your transition. During this course, it is recommended you complete the activities and add pertinent information to your spending plan to create a complete financial picture for now and for the future. At the end of this course, you should recognize how transition can affect your finances and what to expect.

INCOME

Competency

Evaluate current military salary to determine salary requirements after transition.

Learning Objectives

- Evaluate current military income and compensation
- Compare current military income and compensation to projected civilian salary equivalent
- Examine the difference in tax liability between current military compensation and projected civilian salary

Income

Income Terms:

- **GROSS INCOME:** These are wages to include all pay, allowances, and entitlements. TOT ENT or Entitlements (Leave and Earnings, LES or Earnings; Coast Guard Payslip, CGPS) provides your gross income.
- **DEDUCTIONS:** These are required amounts removed from your paycheck including taxes, benefits (i.e., insurance), and garnishments. The amount shown under TOT DED or DEDUCTIONS on an LES or TAXES + DEDUCTIONS on the CGPS are the total deductions and includes items such taxes, social security, Medicare, SGLI, and TSP contributions from your military paycheck.
- **ALLOTMENTS:** allotments are personal choice amounts to be deducted from your paycheck. TOT AMT or ALLOTMENTS (LES) or ALLOTMENTS (CGPS), show your total allotments.
- **NET PAY:** These are your wages after all deductions and allotments have been removed and the amount you take home each month.

Total pay + allowances = **Gross Income**

Gross Income – **deductions** and **allotments** = **Net Pay**

Net Pay is the amount of money you take home from each

Leave and Earnings Statement or Payslip

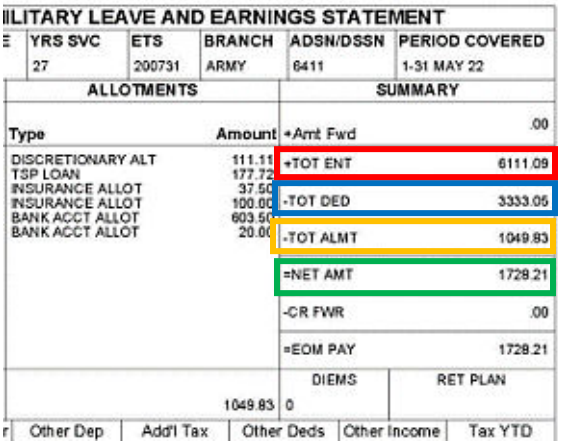
Your LES or Coast Guard Payslip provides the information you need to review your current income.

ACTIVITY: Access Your LES

Access your LES to apply what you are learning to your own situation.

MyPay Website - https://mypay.dfas.mil/#/
CG Payslip – https://dcms.uscg.mil

LES



ILITARY LEAVE AND EARNINGS STATEMENT

YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED
27	200731	ARMY	6411	1-31 MAY 22

ALLOTMENTS

Type	Amount
DISCRETIONARY ALT	111.11
TSP LOAN	177.72
INSURANCE ALLOT	37.50
INSURANCE ALLOT	100.00
BANK ACCT ALLOT	603.50
BANK ACCT ALLOT	20.00

SUMMARY

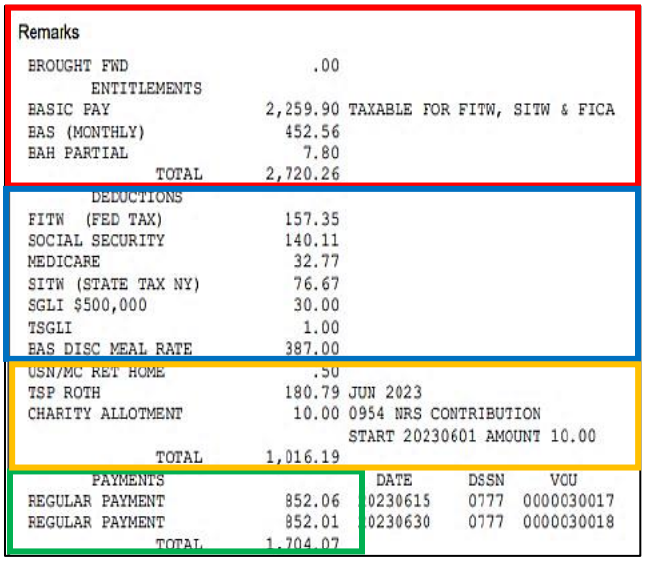
+Amt Fwd	.00
+TOT ENT	6111.09
-TOT DED	3333.05
-TOT ALMT	1049.83
=NET AMT	1728.21
-CR FWR	.00
=EOM PAY	1728.21

DIEMS	RET PLAN
0	

1049.83

Other Dep	Add'l Tax	Other Deds	Other Income	Tax YTD

Marine Corps LES

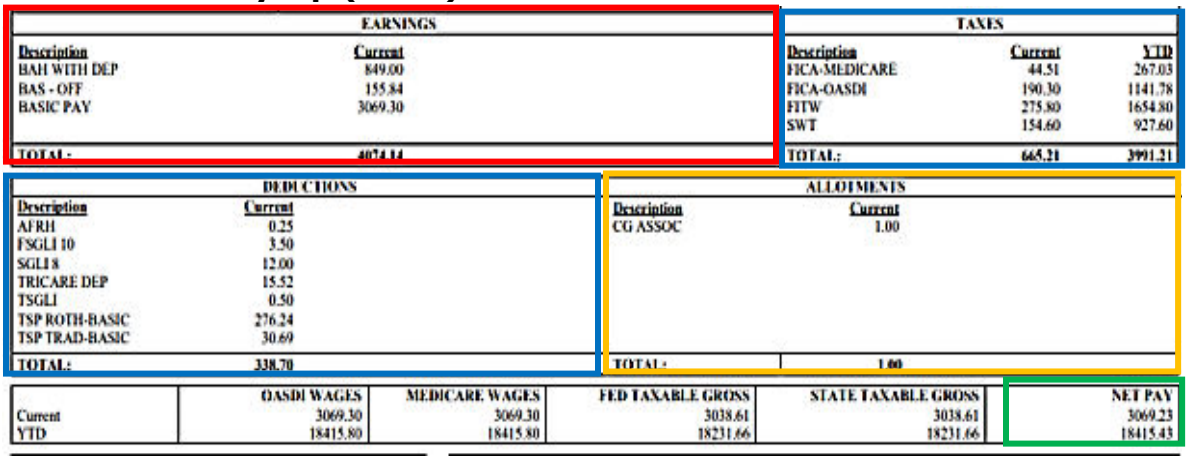


Remarks

BROUGHT FWD	.00	
ENTITLEMENTS		
BASIC PAY	2,259.90	TAXABLE FOR FITW, SITW & FICA
BAS (MONTHLY)	452.56	
BAH PARTIAL	7.80	
TOTAL	2,720.26	
DEDUCTIONS		
FITW (FED TAX)	157.35	
SOCIAL SECURITY	140.11	
MEDICARE	32.77	
SITW (STATE TAX NY)	76.67	
SGLI $500,000	30.00	
TSGLI	1.00	
BAS DISC MEAL RATE	387.00	
USN/MC RET HOME	.50	
TSP ROTH	180.79	JUN 2023
CHARITY ALLOTMENT	10.00	0954 NRS CONTRIBUTION
		START 20230601 AMOUNT 10.00
TOTAL	1,016.19	

PAYMENTS		DATE	DSSN	VOU
REGULAR PAYMENT	852.06	20230615	0777	0000030017
REGULAR PAYMENT	852.01	20230630	0777	0000030018
TOTAL	1,704.07			

Coast Guard Payslip (CGPS)



EARNINGS

Description	Current
BAH WITH DEP	849.00
BAS - OFF	155.84
BASIC PAY	3069.30
TOTAL:	4074.14

TAXES

Description	Current	YTD
FICA-MEDICARE	44.51	267.03
FICA-OASDI	190.30	1141.78
FITW	275.80	1654.80
SWT	154.60	927.60
TOTAL:	665.21	3991.21

DEDUCTIONS

Description	Current
AFRH	0.25
FSGLI 10	3.50
SGLI 8	12.00
TRICARE DEP	15.52
TSGLI	0.50
TSP ROTH-BASIC	276.24
TSP TRAD-BASIC	30.69
TOTAL:	338.70

ALLOTMENTS

Description	Current
CG ASSOC	1.00
TOTAL:	1.00

	OASDI WAGES	MEDICARE WAGES	FED TAXABLE GROSS	STATE TAXABLE GROSS	NET PAY
Current	3069.30	3069.30	3038.61	3038.61	3069.23
YTD	18415.80	18415.80	18231.66	18231.66	18415.43

A civilian pay statement or stub will have the same information as the LES or Payslip to include sections for Earnings/Income, Deductions (taxes), Allotments, and Net Pay or Net Income. The terminology may vary slightly, but the information is standard.

Additional Sources of Income

Military pay may not be your only source of income. To fully understand your financial situation prior to transition, you need to include any additional sources of income to ensure an accurate civilian salary equivalent.

Consider the following sources of income not included on your LES or Payslip:

- Does your spouse have an income?
- Do you have a second job?
- Are you receiving income from investments or a rental property?
- Do you receive child support or alimony?
- Do you receive financial support from Women, Infants and Children (WIC) or Supplemental Nutrition Assistance Program (SNAP)?

To have an accurate picture of your finances for your transition, all sources of income need to be included in the spending plan.

ACTIVITY: Update the Income Section of the Spending Plan

Use your LES/Payslip to update the income section of the spending plan. Do not forget to include:

- Total Earnings or Entitlements
- Spouse Income
- Rental Income
- VA Benefits
- Child support/alimony
- Taxes, deductions, allotments

DoD Spending Plan Instructions:

1. Add your MONTHLY GROSS income (including BAS, BAH, and entitlements) in the appropriate cell, and your annual GROSS income will be automatically calculated.

2. Add your monthly NET income (gross minus deductions/allotments) in the appropriate cell and your twice-monthly and NET annual amount will be calculated.

3. Under *Other Income Sources*, add monthly NET spouse income and all other sources of income. Total NET household income monthly and annual will populate below.

4. Under the deductions section, add together the federal (FICA, SS, and Medicare) and state taxes, type in under the MONTHLY taxes. Repeat for the deductions (SGLI, Spouse SGLI, TSGLI, etc.) and Allotments (TSP, savings, etc.). The spending plan will automatically calculate your annual taxes and total monthly deductions.

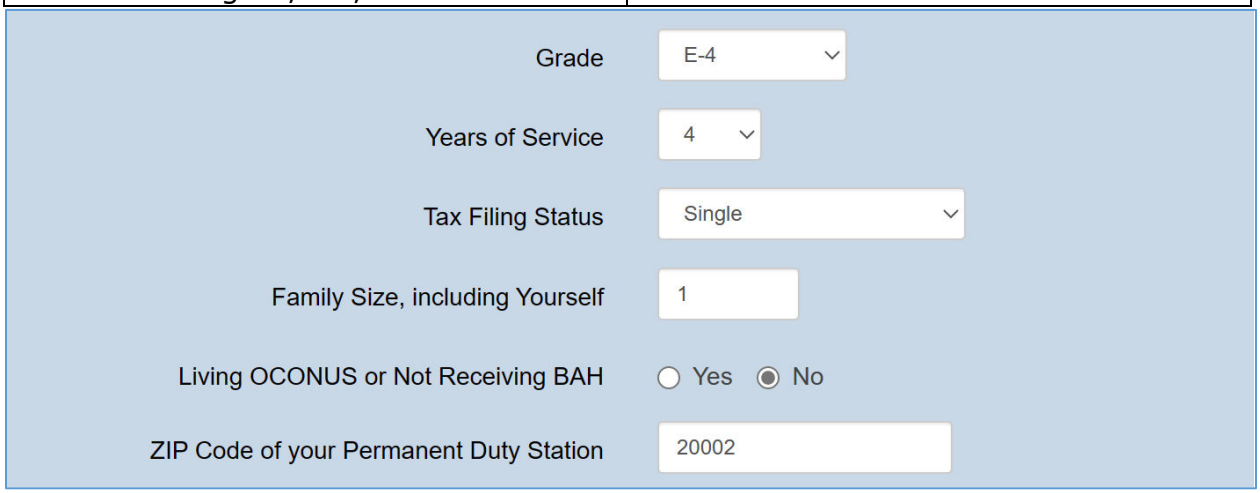
Civilian Salary Equivalent

Now that you know your current income, it is possible to determine the approximate civilian equivalent to your military salary.

To determine your approximate civilian equivalent, use the Regular Military Compensation (RMC) calculator.

The two scenarios below are used throughout the course to demonstrate websites.

Scenario 1: Civilian Salary Equivalent	
• E-4 • Separating after 4 years • Single • Washington, DC; 20002	• Base Pay: $36,796 • Pay with BAH/BAS: $68,347

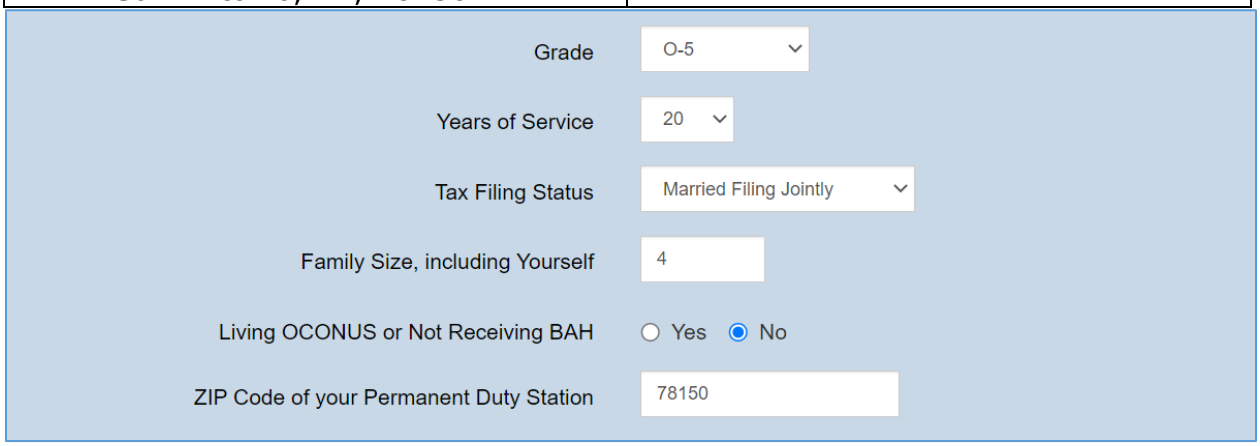


Grade	E-4
Years of Service	4
Tax Filing Status	Single
Living OCONUS or Not Receiving BAH?	No
Living OCONUS?	N/A
ZIP Code of your Permanent Duty Station	20002
Annual Basic Pay	$36,795.60
Annual Basic Allowance for Housing	$26,028.00
Annual Basic Allowance for Subsistence	$5,523.00
Non-Taxable Allowances (BAH + BAS)	$31,551.00
Number of Exemptions for Previous Calendar Year	1
Personal Exemption Amount	$0.00
Standard Deduction	$14,600.00
Total Deductions	$14,600.00
Taxable Income (Annual Basic Pay - Total Deductions)	$22,195.00
Tax Rate	12%
Gross Up	$35,853.41
Tax Advantage	$4,302.41

Total Regular Military Compensation (RMC) $72,649

The RMC calculator estimates **$72,649 (yearly) or $6,054 (monthly)** is needed to maintain the current lifestyle.

Scenario 2: Civilian Salary Equivalent	
• 0-5 • Retiring after 20 years • Married with family • San Antonio, TX; 78150	• Base Pay: $133,117 • Compensation with BAH/BAS: $168,800



Grade	O-5
Years of Service	20
Tax Filing Status	Married Filing Jointly
Living OCONUS or Not Receiving BAH?	No
Living OCONUS?	N/A
ZIP Code of your Permanent Duty Station	78150
Annual Basic Pay	$133,117.20
Annual Basic Allowance for Housing	$29,880.00
Annual Basic Allowance for Subsistence	$3,803.76
Non-Taxable Allowances (BAH + BAS)	$33,683.76
Number of Exemptions for Previous Calendar Year	4
Personal Exemption Amount	$0.00
Standard Deduction	$29,200.00
Total Deductions	$29,200.00
Taxable Income (Annual Basic Pay - Total Deductions)	$103,917.00
Tax Rate	22%
Gross Up	$43,184.31
Tax Advantage	$9,500.55

Total Regular Military Compensation (RMC) $176,301

The RMC calculator estimates **$176,301(yearly) or $14,692 (monthly)** is needed to maintain the current lifestyle.

ACTIVITY: Determine the Civilian Salary Equivalent

1. Use the RMC Calculator to determine an estimated civilian salary equivalent based on your current location or where you plan to relocate
2. Provide the information requested on the RMC Calculator:
    - Rate/rank (when transition occurs)
    - Years of Service
    - Tax filing status (single, married filing jointly, married filing separately, head of household)
    - Family size (type 1, if it is only you)
    - Living OCONUS or Not Receiving BAH
    - ZIP code of where you are currently living or where you plan to relocate.
3. Click Calculate
4. **Divide the SALARY EQUIVALENT by 12 to determine your monthly salary**
5. Write the total MONTHLY SALARY EQUIVALENT on the spending plan in the "Projected" column

DOD Spending Plan Instructions: Add your annual SALARY EQUIVALENT under the appropriate PROJECTED column, Separatee, or Retiree. Your MONTHLY SALARY will be calculated automatically.

Civilian Salary Equivalent: What is missing?

The salary equivalent includes basic pay, BAH, and BAS. The RMC calculation is based on the information you provided and the federal taxes owed if all three were fully taxed; BAH and BAS are not taxed, creating a tax advantage. All four, base pay, BAH, BAS, and tax advantage, combined will determine your salary equivalent.

While the RMC provides an estimated salary, it is does not capture the salary needed to keep a similar lifestyle because it does **NOT** include the following:

- Special pays and incentives
- Social Security
- Medicare
- State and local taxes
- Military benefits and compensation

Special Pays and Incentives

Many military members qualify for special pay and incentives. If you receive this type of pay or incentive, add it yourself to ensure you accurately capture your income needs post-transition, as it is not included in the salary equivalent. Below is an example, not a complete list, of common special pays and incentives. Review your LES/Payslip for any special pay or incentives you receive.

Special Pay	Amount
Aviation Incentive Pay	$124-250
Foreign Language Proficiency	$100-500
Career Sea Pay	$100-700
Remote Location	$150

Taxes

Only the estimated cost of federal taxes is added in the CSE. Social Security, Medicare, state, and local taxes are not. Later in the course, you will estimate your tax liability based on your CSE.

Military Benefits and Compensation

Your income includes base salary, Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS). In addition, you also receive other benefits which contribute to your lifestyle.

Benefits such as:

- Health insurance (i.e., TRICARE)
- Dental insurance
- Servicemembers' Group Life Insurance (SGLI)
- Family Servicemembers' Group Life Insurance (FSGLI)
- Death benefits
- Commissary privileges
- Base gym access
- Base childcare facilities, etc.

Some of these benefits are provided at a reduced rate, possibly based on your rank (e.g., childcare), while others require a small monthly payment (e.g., SGLI, family

dental, FSGLI), and still others are free (e.g., healthcare, commissary, gym). It is important for you to understand how these changes impact you. After you leave the military many of these benefits will no longer be available or will require payment to access.

TOTAL COMPENSATION is the perceived monetary value of these benefits plus income.

Total Compensation = Income + Benefits

Cost of Benefits: Military and Civilian Comparison

The benefits you receive for free or at a reduced cost have a monetary value. As you plan for transition, you need to consider the amount you may need to pay for these benefits and add the additional cost to your salary equivalent.

The list below is an example and <u>not</u> a complete list. Amounts shown are monthly and from the national average. Cost in your area may be more or less.

BENEFIT	**Military Cost**	**Civilian Cost**
Healthcare Premium	$0 with TRICARE	Single: $450 Family of 4: $1,450
Childcare	Per child/month: $200 - $1000	Per child/month: $1,200
Dental insurance	Family/per month: $30	Individual: $20-50 Family: $50-150
Vision insurance	$0	Per person/per month: $14
Gym Membership	$0	$40-70 per month
Family Life Insurance	$100,000 in coverage and based on age/month: $5-30	$100,000 in coverage and based on age/month: $7-36
Total	**$235 - 1,037**	**$1,758-2,907**
Costs listed are monthly and calculated using the national average. Cost varies based on location.		

Civilian costs provided are for **examples** only and are determined using the national average and without any State or Federal subsidies. There are **many** different variables which will determine the actual cost such as age, location, health, availability, etc.

ACTIVITY: Determine the Increased Cost of Benefits

1. Use the table above and other resources to estimate the additional income necessary to cover the increased cost of benefits.

2. Add to the spending plan in the appropriate location.

DOD Spending Plan Instructions: Add your estimated amount to the increased cost of benefits. Add this to the INCREASED COST OF BENEFITS (C or D 29) under the PROJECTED tab. The spending plan will automatically calculate the projected GROSS MONTHLY salary equivalent.

While it would be difficult to determine the exact amount of income needed to keep a similar lifestyle, the salary equivalent with the additions provides you with a better estimate and understanding of income requirements.

Retirement Pay

Do you plan to find another job after you retire? Is your military pension enough to cover your current expenses? Maybe you will look for something that you have always wanted to do regardless of the pay, or maybe you are looking to increase your income. Either way, there are a few things to know and do when it comes to retirement pay.

1. Complete your DD 2656 and all other requirements from your service.

2. Approximate your retiree pay as this is a portion of your income after retirement.

3. Estimate the gap between your salary equivalent and retirement pay.

4. Consider the deductions which will be taken from your retiree pay.

You will first need to approximate the amount you will receive in retirement pay. To find your projected retirement pay, use Military Pay – Projected Retirement calculators.

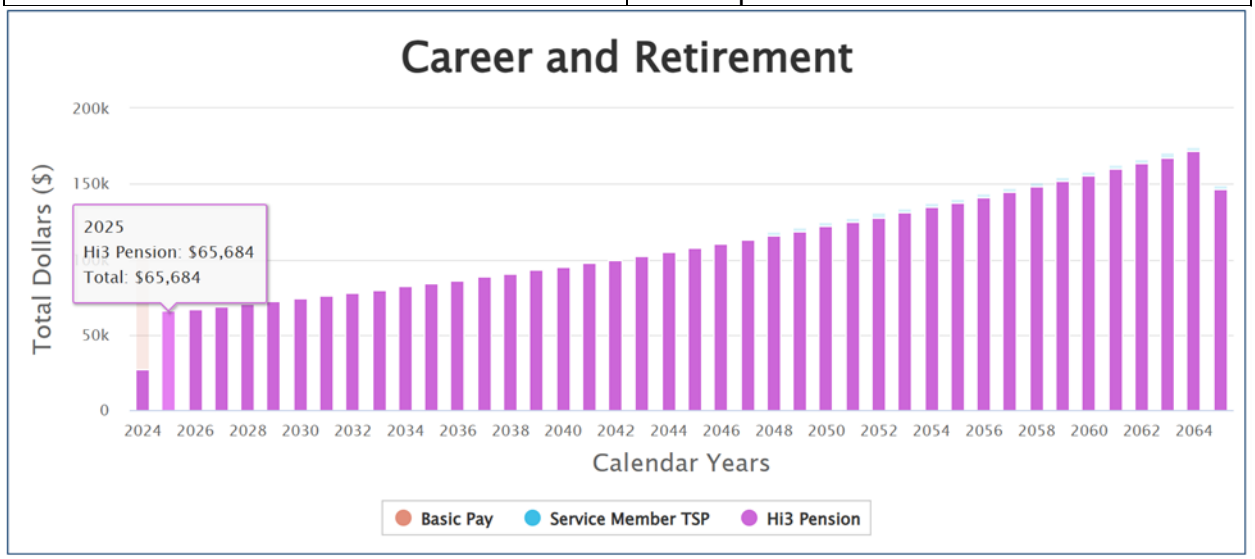
ACTIVITY: Estimate Pre-Tax retirement Pay

1. Use the Military Pay – Projected Retirement calculator.

2. Follow the directions on the website.
   a. Active or Reserve
   b. Personal information (must first add year to Pay Entry before month)
   c. Retirement information
   d. Career progression
   e. Roll over the first full High-3 Pension bar to see the yearly amount.
   f. Divide your retiree pay by 12 to determine your monthly amount.

3. Write your projected retirement pay under the RETIREMENT PENSION PAY - PROJECTED on the spending plan

Scenario 2: High 3 Calculator	
• Born: Oct 1980 • Pay Entry Date: May 2003 • Rank: 0-5	• Time in Service at Retirement: 21 years, 3 months • Life Expectancy and TSP: as provided



High 3 Pension Amount: $65,684

Retirement Pay Gap

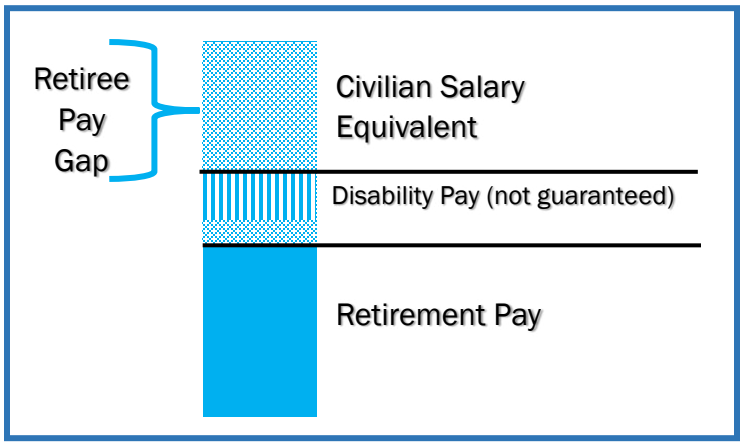
ACTIVITY: Calculate Retiree Pay Gap

1. Using TOTAL salary equivalent, subtract the MONTHLY estimated pre-tax retirement pay.

2. The result is your monthly Retiree Pay Gap.

DoD Spending Plan Instructions: Add your Annual Retirement Pay in the PRE-TAX Retiree Pay section under the PROJECTED column. The monthly amount, along with the Pay Gap for annual and monthly, will be automatically calculated in the lines directly below.

Civilian Salary Equivalent – Retirement Pay and Disability Pay (if applicable)
= Retiree Pay Gap



The possibility of receiving Disability Pay further complicates retirement pay calculations. The VA determines disability ratings. Since a rating is **not guaranteed** and the amount is not known until the disability rating is determined, it is recommended to view this pay as a bonus and not include it in your calculations.

Retirement Pay Deductions

Remember, the estimated salary equivalent and retiree pay are both **pre-tax**, meaning the amount provided from the calculators is your GROSS amount. All paychecks have deductions and allotments.

Possible deductions may include health insurance, dental/vision insurance, Survivor Benefit Plan (retirees), taxes (federal, state, and local), savings, 401(k), and others. The table below shows examples of deductions and average amounts for 2024. This list is **NOT** complete but shows examples of possible deductions.

Possible Monthly Civilian Deductions

Tricare Health Insurance Select*	
Annual: Individual- $178 Family - $356	Monthly: Individual: $15 Family: $30
Tricare Health Insurance Prime*	
Annual: Individual: $363 Family: $726	Monthly: Individual: $31 Family: $61
Healthcare Premium** (not Tricare – employer provided)	Individual: $120 Family: $600
Dental Insurance	Individual: $15-50 Family: $40-125
Vision Insurance	Individual: $6-15 Family: $13-50
SBP - Retirees	6% of chosen amount
TAXES	**TBD**

*Cost as of June 2024
**National Average as of June 2024

Now that you have a better understanding of the salary you will need post-transition, you can look at the changes in taxes that may occur during your transition.

Taxes After Transition

Service members often cite taxes as one of the most surprising changes encountered after their transition.
To understand how your taxes will be affected, it is necessary to utilize various resources at your disposal.

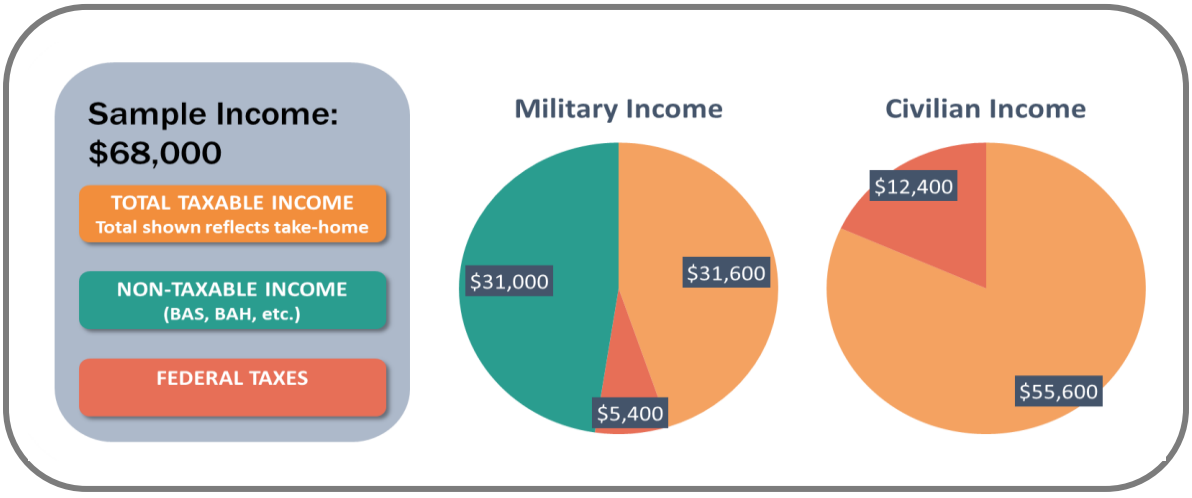
The websites utilized in this course provide valuable information, however, they are for **research purposes only** and do not provide tax advice or a tax bill. If you have specific tax information or have concerns, seek the assistance of a tax professional.

Tax Difference: Military vs. Civilian Income

Changes in your tax liability may be due to a variety of different reasons. For instance, if you were receiving BHA and/or BSA while in the military, this was a non-taxable entitlement. Once out of the military, this amount is now considered income and subject to federal, and possibly state and local tax. If you have employment after retirement and receive a retirement pension, both are subject to federal tax. Having two sources of income may further increase your tax liability.

Previously, you determined your GROSS Salary Equivalent, then added special/incentive pay and any other expenses which need to be considered income. Even without the additions, the salary equivalent is higher than your basic military salary. This is due to the "tax advantage" while in the military.

The graphic below visually explains the difference between the taxes paid for a military salary of an E-4 in Virginia and uses the same base salary of $68,000 for military and civilian.



In this example, federal tax includes federal income tax, Federal Insurance Contributions Act (FICA), and VA state tax; it does **not** include local taxes.

TO SUMMARIZE: You will need to make MORE in the civilian sector than you did in the military if you want to maintain your current lifestyle.

Tax Considerations After Transition

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

- **Taxable Income:** As previously discussed, not all military income is taxable. When working in the civilian sector, all of your civilian salary is taxable at the federal level and possibly at the state level depending on the state tax laws. In addition, some areas will add county and city taxes based on your income.
- **Federal Taxes:** Federal taxes will increase. Your tax income bracket depends on your reported taxes. Therefore, if you have additional income, such as income to replace BAH, your federal taxes will increase. Your federal taxes may even move into a new tax bracket should you retire and become employed. Retirement pay is taxed at the federal level, whereas states taxation of retirement pay varies by state.
- **State Income Tax:** Depending on the state you listed as your state of residency (e.g., Florida or Texas), you may not have been paying state income tax while in the military. As a civilian, you may start paying state income taxes depending on your location and change in military status. Location matters for state income taxes. Some states do not have a state income tax while others provide tax incentives for retirees, disabled veterans, or veterans. Research your state for any tax incentives which you may be eligible.
- **County and City Tax:** Some counties, as well as cities, collect taxes. Examples of this type of tax are the sales tax on goods, services and personal property tax for cars or homes. As a military member, you may have been exempt from some of these taxes, or as a retiree, the state may waive certain taxes.
- **Property Taxes:** While in the military, you may have been exempt from certain property taxes or received a discounted rate for vehicle registration. Tax breaks, exemptions, and discounts offered to Veterans vary from state to state.

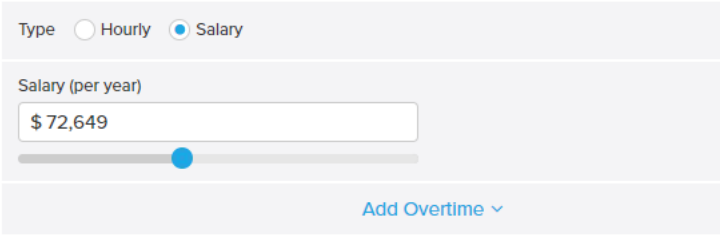
NOTE: For veterans, there are still a few income streams which are not taxable. This may include such items as disability pay and/or housing funds received from the GI Bill.

Let's estimate the new tax liability using the previous scenarios.

Estimating Tax Liability for: SEPARATEE

Scenario 1: Estimating Taxes after Separation	
• E-4 • Separating after 4 years • Single	• Pay Frequency: Monthly • Washington, DC; 20002 • Salary • CSE: $72,649

Scenario 1



Your estimated monthly take home pay:

$4,552

Where is your money going?

Gross Paycheck		$6,054
Taxes DETAILS	17.16%	$1,039
FICA and State Insurance Taxes DETAILS	7.65%	$463
Pre-Tax Deductions DETAILS	0.00%	$0
Post-Tax Deductions	0.00%	$0
Take Home Salary	**75.19%**	**$4,552**

ACTIVITY: Estimate Your Taxes After Transition

1. Use https://smartasset.com/taxes/paycheck-calculator

2. to estimate your federal, state, and local taxes and monthly take home pay.

3. Enter your TOTAL SALARY EQUIVALENT including the special/incentive pay and additional expenses.

4. On the left side:
   - Choose salary.
   - Choose single or married. Enter a location by zip code or city.
   - Number of dependents.
   - Pay frequency (monthly, semi-monthly).

5. Scroll down to see the following results:
   - Gross paycheck.
   - Monthly taxes (click down arrow for full details of federal, state, local).
   - Monthly FICA.
   - Take home salary.

6. Add the taxes (Taxes and FICA) together to include on the spending plan for taxes.

DoD Spending Plan Instructions: Add the taxes and FICA together and add the total to the DEDUCTIONS/Taxes under the PROJECTED tab.

Add the PROJECTED Take Home pay under the appropriate PROJECTED column, based on the monthly or semi-monthly pay option.

Estimating Tax Liability for RETIREE

When retiring, there are other considerations, such as how tax friendly a state is for retirement pay. Some states do not tax military retirement pay, some offer a sliding scale, and other states tax retirement pay fully but provide alternate benefits. The following is a tax estimate for a retiree in San Antonio, Texas.

Scenario 2: Estimating Taxes for Retirement	
• 0-5 • Retiring after 20 years • Married with family • San Antonio, TX; 78150	• CSE: $176,301 • Retired Pay: $65,684 • Gap: $110,617

Enter your financial details to calculate your taxes

Annual Social Security Income: $ 0

Annual Retirement Account Income: $ 0

Annual Wages: $ 108,008

Location: San Antonio, TX

Year of Birth: 1980

Filing Status: Married

Add Pension

Annual Income from Private Pension: $ 0

Annual Income from Public Pension: $ 62,000

You will pay $0 of Texas state taxes on your pre-tax income of $170,008

Your Tax Breakdown

Federal	$29,876
State	$0
Local	$0
Total Taxes	$29,876

Quick Guide to Texas Retirement Income Taxes

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

Resources for State Retirement Tax Information:

- SmartAsset – Retirement Taxes
- Military.com – State Taxes

ACTIVITY: Determine Your Taxes with Retirement Pay

1. Go to SmartAsset – Retirement Taxes

2. Choose the state where you wish to retire

3. Complete the following information:
   - Annual Social Security Income = $0 (if not drawing Social Security)
   - Annual Wages = pay gap or amount you expect to earn upon retirement
   - Location = zip code
   - Year of Birth
   - Filing Status
   - Add Military Retirement:
     - Click on Add Pension
     - Add Military Retirement Pay amount to Public Pension
     - NOTE: Amounts in Annual Wages and Pension should equal your CSE

4. Use the total tax amount and divide by 12 to find the monthly tax liability

5. Write the monthly tax liability on your spending plan

DoD Spending Plan Instructions: Add the TOTAL TAXES to the DEDUCTIONS: MONTHLY TAXES line under the PROJECTED tab along with any other known deductions or allotments (SBP, insurance, etc.). The spending plan will automatically calculate your monthly taxes and total monthly deductions.

It is important to note that the amounts for the Annual Wages and Retirement Pay are not exact but are estimates. The taxed amounts are GROSS and do not have pre-tax deductions or allotments removed.

Increasing Income

As you prepare for transition, additional income can be used to:

- Grow an emergency savings prior to transition
- Decrease debt
- Fill a gap between the last military paycheck and the first civilian paycheck

Consider these options should you need to increase your income.

Increase Income		
• Spouse finds employment • Active-duty person finds a part-time job • Sell items you no longer use	• Review and change tax filing status and other withholding inputs • Add side hustle – uber, online, etc.	• Seek out temporary or seasonal work • Apply for unemployment entitlement after transition

Income and taxes are two important numbers to understand and know as you prepare for your transition. Return to these websites as you seek employment and determine where you will be living. Knowing this information can help you plan better and create a smoother transition for you and your family.

Wrap Up

- Why is the salary equivalent higher than your military salary?
- Why are your federal taxes higher? Will you have to pay state and local taxes?
- What websites can help with estimating salary needs or taxes post-transition?
- If you are a retiree, how do you calculate your pay gap?

EXPENSES

Competency

Evaluate your current expenses and understand how your expenses might change and affect your standard of living after transition.

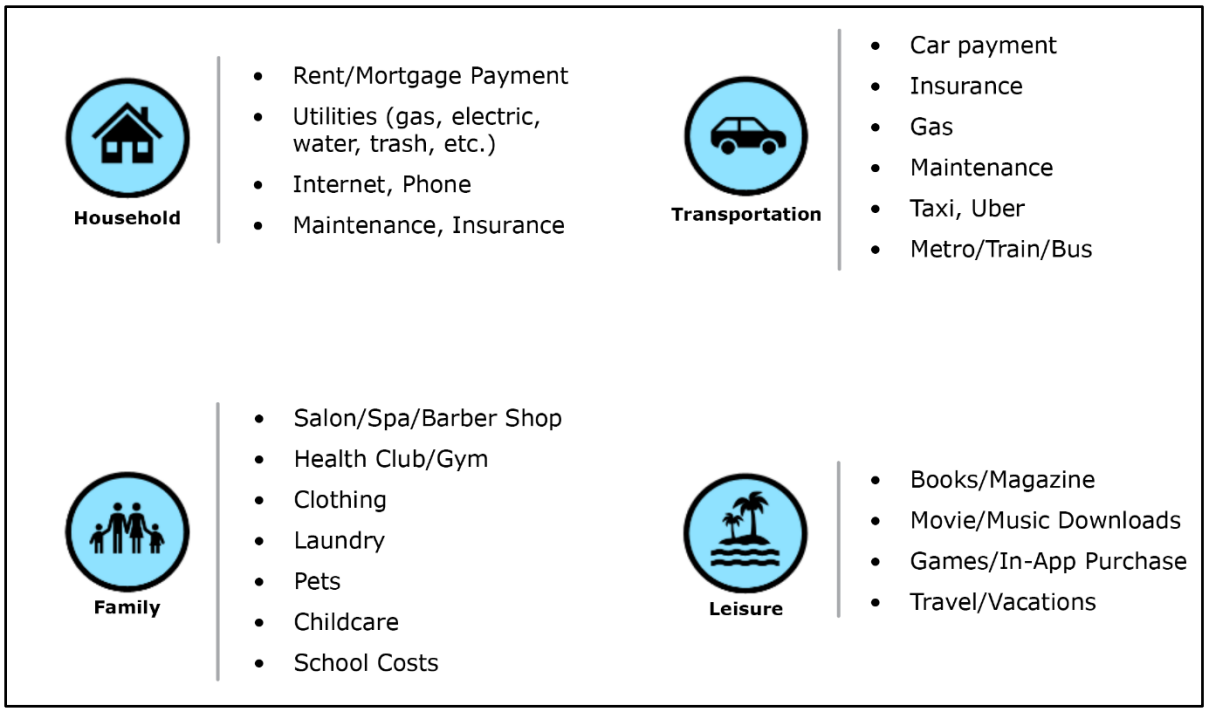
Learning Objectives

- Create or update list of current expenses
- Compare cost of living at current and 2nd location
- Describe the basics of health insurance
- Specify the basics of life insurance

Living Expenses

Expenses are the daily, weekly, and monthly items you pay for to live like groceries, utilities, clothing, childcare, entertainment, and others. These include ALL items where cash, debit, credit, or any other method of payment is used to make a purchase or pay a bill.

Common examples of types of expenses include:



Health

- Health Insurance
- Dental/Vision Insurance
- Doctor/Urgent Care Visits
- Prescriptions
- Contacts

Food

- Groceries
- Dining Out
- Vending Machines
- Tobacco/Alcohol

Take a minute to consider how you spend your money.

- Do you stop for coffee every morning?
- Do you use vending machines for something to drink or eat?
- How often do you eat out for lunch or dinner?
- How many streaming or gaming accounts do you have?

ACTIVITY: Update the Expenses Section of the Spending Plan

Fill in the appropriate areas of the spending plan, using the MONTHLY amount or estimate:

- Rent or mortgage payment
- Housing
- Transportation
- Food
- Healthcare
- Personal and Family
- Leisure

Tracking Your Spending

Monthly expenses are generally known and easily identified; however, we often lose track of daily spending. Even if you have a good idea of where you are spending your money, it is wise to track your expenses for a few weeks or a month prior to your transition. This will provide detailed knowledge of where you are spending and, more importantly, provide information on where you can adjust, if needed.

There are many ways to track your expenses. Use what works best for you. The following are a few suggestions:

- Use a free but secure app to track spending; many can be found in the app store on your mobile device or tablet

- Keep a small notebook with you to record every purchase (cash/credit/ debit)
- Keep receipts from every purchase and total them up at the end of the week
- Review your bank and/or credit card statements
- Create your own log using computer software such as Excel or Word

How you track your expenses is not as important as the tracking itself. Just be sure to include ALL purchases. If you are using an app or online expense tracker, be sure to protect your personal information.

Decreasing Expenses

If your income declines or is limited for a period of time, one way to mitigate the impact is to decrease expenses. Should that occur, be aware of the options listed below.

Alternately, by decreasing expenses prior to transition, you may be able to save additional money to put toward building your savings or reducing your debt.

Which could you and/or your family implement to decrease your expenses prior to transition?

Decrease Expenses		
• Down grade or eliminate the cable or streaming packages • Bundle packages for cable, internet, and cell phone • Re-shop for auto, home, and life insurance • Use coupon/discounts for shopping, dining out, and recreational activities	• Review current cell phone plan to determine if any extras can be removed • Use public transportation or carpool • Shop at thrift stores • Ask utility companies about a budget plan for consistent utility bills	• Ask for veteran and military discounts • Find friends who can trade services (e.g., babysitting, pet sitting, etc.) • Cook at home and pack your lunch, plan menus around foods on sale

Cost of Relocation

As you transition, you may have one move provided and funded by the military. Visit your transportation office to ensure you know all requirements related to your final move, such as deadlines or how to request an extension. Even if the military pays for your final move, there are still expenses associated with relocation that need to be considered.

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

- Housing (rent or mortgage)
- Utilities
- Taxes (including tax benefits for Veterans)
- Food, childcare, commuting costs, clothing, entertainment, school or college costs, climate, insurance, etc.

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

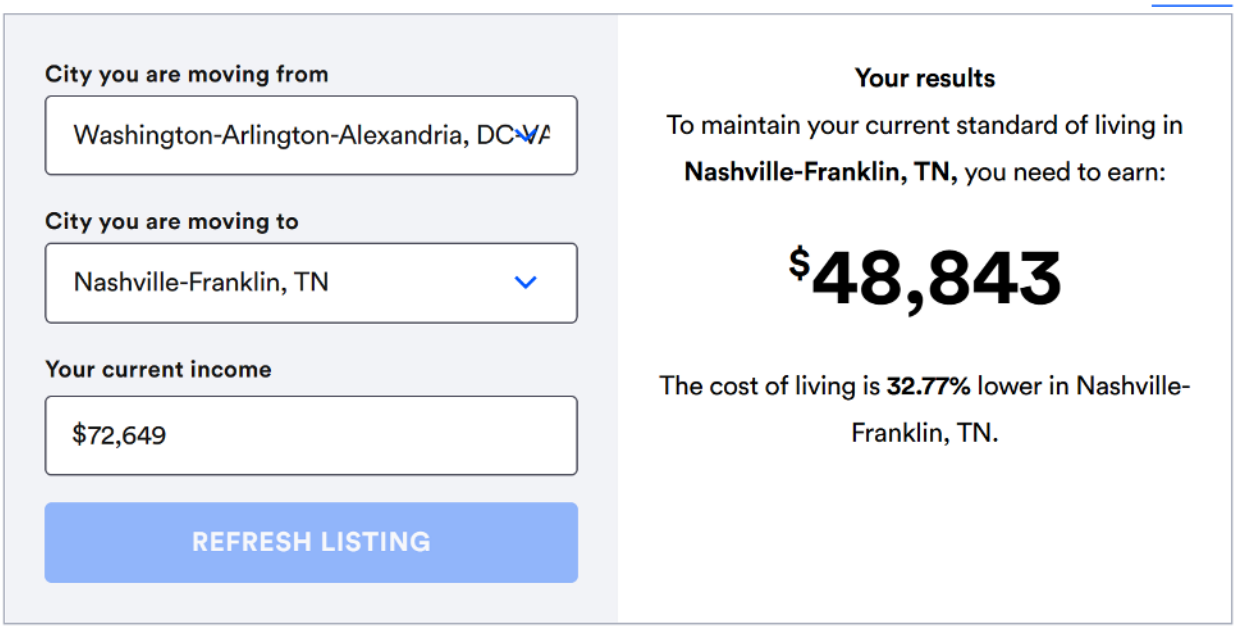
- https://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx
- http://www.bestplaces.net/cost-of-living
- https://money.cnn.com/calculator/pf/cost-of-living/index.html
- https://www.payscale.com/cost-of-living-calculator
- https://www.expatistan.com/cost-of-living

Estimate the cost of living based on the previous scenarios.

Scenario 1: Cost of living comparison	
• E-4 • Separating after 4 years • Single	• Stationed in Washington, DC • Moving to Nashville, TN • CSE: $72,649

Salary requirements in Washington, D.C. compared to Nashville, TX, to maintain current lifestyle.

According to BankRate.com:



Housing cost

	Washington-Arlington-Alexandria, DC-VA	Nashville-Franklin, TN	Change
Apartment Rent	$3,359.00	$1,608.00	↓ 52%
Home Price	$1,175,977.00	$534,688.00	↓ 55%

Utilities cost

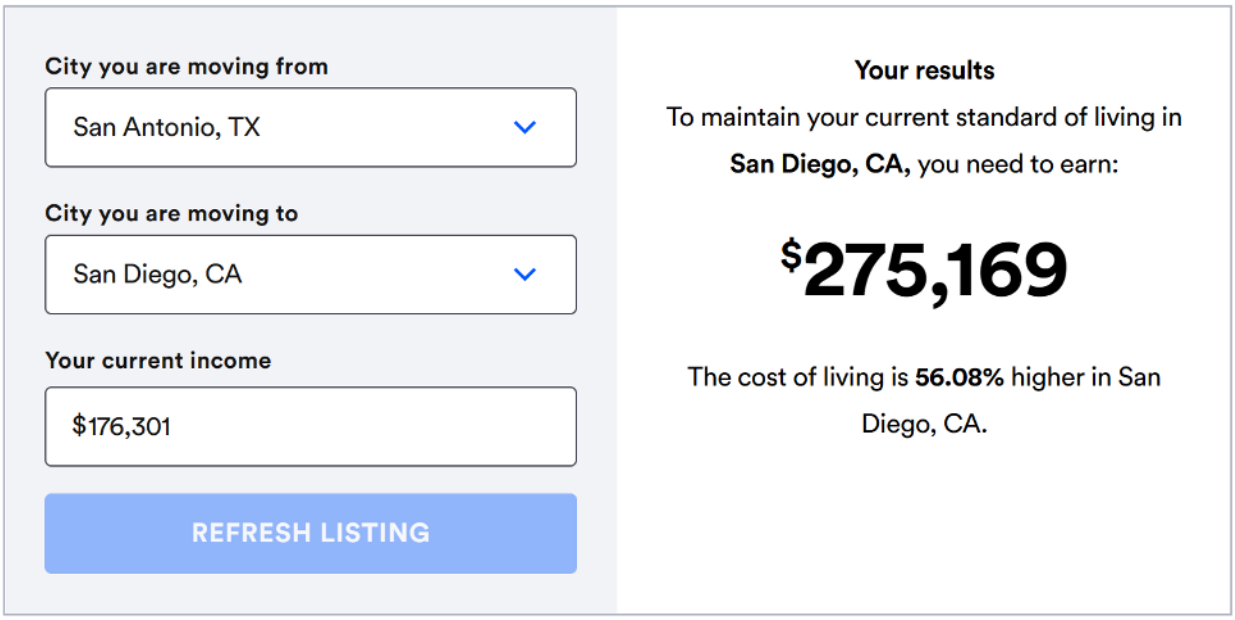
	Washington-Arlington-Alexandria, DC-VA	Nashville-Franklin, TN	Change
Total Energy	$227.70	$183.77	↓ 19%
Phone	$190.71	$218.36	↑ 14%

Many expenses would go down, along with salary requirements, which is what would be expected when moving out of the Washington, D.C. area. This is clearly shown in the differences in cost of housing and utilities.

Scenario 2: Cost of living comparison	
• 0-5 • Retiring after 20 years • Married with family	• San Antonio, TX; 78150 • Moving to San Diego, CA • CSE: $176,301

These are the salary requirements in San Antonio, TX, compared to San Diego, CA, to maintain current lifestyle.

According to BankRate.com:



Housing cost

	San Antonio, TX	San Diego, CA	Change
Apartment Rent	$1,462.00	$3,137.00	↑ 115%
Home Price	$344,587.00	$1,084,913.00	↑ 215%

Utilities cost

	San Antonio, TX	San Diego, CA	Change
Total Energy	$137.32	$223.42	↑ 63%
Phone	$207.58	$180.31	↓ 13%

Income requirements and expenses in San Diego are much higher than San Antonio due to the higher cost of living in California.

Information provided by different cost-of-living calculators may vary. Take time to research the area before determining if a particular location will fit your personal and financial needs after transition.

ACTIVITY: Review Cost of Living Changes for a New Location

1. Use the BankRate.com website or a different cost-of-living calculator to review the differences in salary requirements and cost of living for housing, insurance, utilities, etc.

2. Add the amounts to the spending plan.

DoD Spending Plan Instructions: On the Expenses tab, choose a few of the expenses to add to the projected column. Add the salary requirement in the salary equivalent line under projected. Do not forget to include the new location in the space provided.

HEALTHCARE & TRANSITION

Prior to Your Transition

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

Be sure you have received a complete copy of your medical records prior to transition, as well as those of your spouse and/or children. These records will be necessary for continuity of care as you move to a new medical provider or when applying for disability. Access your medical records through the MTF portal.

After Your Transition

Decisions about healthcare and health insurance are incredibly important and should be considered carefully. Even with insurance, you will still have medical expenses. Therefore, it is important to **be prepared, know your options, and make informed decisions**.

Retirees:

If you are retiring and you would like to enroll in the **TRICARE** option for retirees, it is strongly recommended that you sign up for TRICARE and pay the premium as soon as your orders are reflected in DEERS. For more information on enrollment go to the TRICARE for Retirees website.

If you plan to use a MTF after retirement, it is important to note that not all MTFs have space available to accommodate and provide healthcare for retirees and family members. Check directly with TRICARE and the MTF to find out what services are available in the area where you plan to live.

Separatees:

Most of you will need to find healthcare through an employer, from the Healthcare Marketplace, or possibly TRICARE. TRICARE has a short-term solution for your immediate health insurance needs through the **Continued Health Care Benefit Program (CHCBP).**

CHCBP:

- Offers coverage for up to 18 months upon separation from service
- Requires up-front quarterly premiums, co-pays, and deductibles
- Purchase must be made within 60 days of loss of TRICARE eligibility
- Quarterly premium cost is located on CHCBP Human Military website

Depending on your type of separation, you may be eligible for transitional healthcare insurance through **Transitional Assistance Management Program (TAMP)**.

TAMP:

- Provides the same coverage available under TRICARE and requires no premiums
- Is available for ONLY 180 days after your date of separation
- Requires that you meet specific eligibility requirements

For more information, to determine eligibility, or to apply for TRICARE for Retirees, CHCBP, or TAMP, visit the TRICARE website.

Guard and Reserve:

As a Guard or Reserve member you may be eligible for the following TRICARE healthcare programs:

- TRICARE Reserve Select
- TRICARE Retired Reserves
- CHCBP
- TAMP

TRICARE eligibility requirements are different for members of the National Guard and Reserve. For more information, to determine eligibility requirements, and to apply for TRICARE programs, visit the National Guard/Reserve TRICARE website.

Civilian Health Insurance Overview

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

- Civilian health insurance options
- Individual vs. group insurance
- Basic healthcare terminology
- Plan and network types – PPO, POS, EPO, and HMO
- Researching healthcare costs

Civilian Health Insurance Options

For those who are not eligible for TRICARE plans, TAMP, or choose not to use CHCBP, there are two alternatives.

Employer: receive insurance through your employer as part of a group

- Coverage is part of the benefits plan
- You may have a monthly cost associated which is deducted directly from your paycheck
- Less expensive than individual, but with limited choices for coverage

Marketplace: purchase health insurance from the Marketplace website as an individual

- Health insurance purchased from the Marketplace is based on your needs and income level
- Purchased directly from an insurance company
- You may need to meet the eligibility requirements to be allowed to purchase, such as not having access to an employer-provided or other health insurance
- There is a possibility of being denied coverage
- May be more expensive than a plan purchased through an employer or group

Healthcare Terms

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

Premium	Amount you pay for health insurance, usually deducted directly from your paycheck.

Annual Deductible	Amount you are responsible for paying before your insurance starts cost sharing. ○ If there is a $1500 deductible, you pay all costs up to the $1,500, then the insurance will cost share (pay the agreed upon portion)
Cost Sharing/Co-Insurance	The percentage of medical costs that you are required to pay after reaching your deductible limit. ○ E.g., if a visit to the doctor is $100 and your co-insurance requires you to pay 20% of the cost, or your cost share is $20
Co-Payment	A flat fee service providers charge based on the health plan. ○ E.g., A $25 payment is required every time you visit your primary care physician.
In-Network Cost	Cost to see a doctor who is in your network and has an agreement with the insurance company.
Out-of-Network Cost	Cost to see a doctor or receive services from a provider who is not in your healthcare plan network; cost is usually greater than in-network and can be up to the full cost of the service.
Out-of-Pocket Cost	Deductibles, co-payments, and co-insurance not covered by the insurance provider; does not include premiums.
Catastrophic Cap or Out of Pocket Maximum/Limit	Cap or limit on the amount of money you pay for covered healthcare services in one year; after this amount is reached, insurance covers 100%; does not include premiums.
Flexible Spending Account (FSA)	An arrangement through your employer that lets you pay for some out-of-pocket medical expenses with tax-free dollars.
Health Savings Account (HSA)	Pre-tax savings account for those with high deductible plans to pay for deductibles, co-payments, co-insurance, and other expenses.
Qualifying Life Event (QLE)	A significant change in your life (e.g., marriage, birth of a child, change in employment, or separation from military service). A QLE may allow you to make enrollment changes outside of the annual open enrollment period.

Types of Plans

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

Preferred Provider Organizations (PPO)	Health plan where you pay less if you use providers in the plan's network. You can use doctors, hospitals, and providers outside of the network without a referral for an additional cost.
Point of Service (POS)	Health plans where you pay less if you use doctors, hospitals, and other healthcare providers that belong to the plan's network. POS plans require you to get a referral from your primary care doctor to see a specialist.
Health Maintenance Organization (HMO)	Health plan that usually limits coverage to care from doctors who work for or contract with the HMO. Out-of-network care is generally not covered except in an emergency. HMO may require you to live or work in its service area to be eligible for coverage. Your primary care physician must refer you for specialty care.
Exclusive Provider Organization (EPO)	A managed care plan, like an HMO, where services are covered only if you use doctors, specialists, or hospitals in the plan's network (except in an emergency). You can see specialists without a referral.
Catastrophic Plan	A plan covering only essential health benefits with the highest level of cost sharing and a high deductible. You must be under 30 years of age or otherwise qualify for a Catastrophic Plan.

Considerations When Choosing a Healthcare Plan

When you are researching or need to choose a healthcare plan from your post-transition employment or through another option, it is best to consider carefully. Consider the statements below.

- **Estimate your yearly medical needs.**
  - How often do you visit the doctor? Is there a medical condition requiring regular visits (e.g., young children needing well-baby checks, pregnancy, and new baby)?
  - For reoccurring or existing medical conditions, consider the number of doctor office visits, procedures, and/or hospitalizations in the past year to estimate the possible out-of-pocket expense as well as the number of covered beneficiaries.

- **Compare plans and costs.**
  - Compare the total cost, not just the monthly payment or deductible – also consider the cost of hospitalization and prescriptions, and balance this with your overall health and expected medical needs.

- **Consider a Flexible Spending Account (FSA).**
  - If your employer offers a healthcare FSA, save money by setting aside pre-tax money into a healthcare FSA to spend tax-free on qualified medical expenses. These accounts can be used to pay for prescriptions, contacts, and other out-of-pocket medical expenses, but generally not the premium.
  - Review your yearly medical needs when considering this option, since FSAs require that all funds be used in the current year, or a limited amount can be rolled over into the next year as some of these accounts have annual spending requirements.

- **Check out the prescription coverage.**
  - Not all prescription drugs are covered. If you have medications you take on a regular basis, be sure your prescription is included in the coverage or check with your physician or pharmacist for options that are covered.

- **Understand family coverage vs individual coverage.**
  - Some plans charge premiums per persons covered versus a family (multiple person coverage) plan.
  - Special consideration/additional research might be needed if you have a young adult in college or an adult dependent with special needs.

- Most health plans must allow adult children to be enrolled in the plan until they reach age 26. If your parent has a health plan, it is possible that you can be covered under your parent's health plan until you reach age 26. A spouse can also be covered under an in-law's health plan until age 26. For individuals under age 26, compare the cost of adding you to your parent's health plan to the cost of getting coverage elsewhere.

- **Find out if you are eligible for VA healthcare**
  - If you are single with no children and are eligible for VA healthcare, you may not need to get additional health insurance, unless you want additional coverage or need care that the VA cannot provide.
  - Spouses and children are not eligible for VA healthcare, except under certain circumstances, and will need other health insurance for them.
  - VA only provides dental services to eligible veterans.

- **Take a look at Medicaid or other public health plans**
  - If your income and assets are low enough, some states may allow you and/or your family to qualify for Medicaid.

Dental and vision coverage

- Not all plans include coverage for dental or eye exams; be sure to ask, especially if you or a member of your family wears glasses and will need yearly eye exams.
- RETIREES:
  - TRICARE does not include dental or vision coverage; view the options available through an employer or through Federal Employees Dental and Vision Insurance Program (FEDVIP)
  - As a retiree you are eligible for FEDVIP
  - Use the Benefeds website for more information and to enroll

If you do not know or are not sure, **ASK**! Healthcare is complicated. Call the member services department of the health plan you are considering or the Human Resources (HR) department at your future employer. You can also find help with Marketplace healthcare plans by speaking with a Healthcare Navigator.

Healthcare Marketplace for Veterans

As a transitioning Service member, you will not be required to wait until the open enrollment period to obtain health insurance through the Healthcare Marketplace. Leaving the military qualifies as a life event due to losing your current health

insurance or change in employment. This entitles you to a Special Enrollment Period. For more information, visit the HealthCare Marketplace for Veterans.

Cost of Health Insurance

Healthcare is expensive. According to the National Health Expenditure Accounts Data on the Center for Medicare and Medicaid Services website (CMS.gov), the national average cost for healthcare was $13,493 annually in 2022. Over $1,000 per person, per month!

Many will seek to have health insurance provided by an employer, thereby keeping costs a little more affordable. Due to large variances in healthcare options provided by any employer, it is impossible to predict what health insurance will cost from an employer.

However, you can estimate using the Healthcare Marketplace. If you choose to estimate the cost of paying healthcare yourself, there are a few things to keep in mind.

- Cost of healthcare will vary greatly.
- Not all coverage is the same.
- This assumes you will be paying the entire premium and associated costs, like deductibles and co-pays, for you and your family.
- Purchasing healthcare from the Marketplace may entitle you to tax credits to help with the cost.

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

Disability Insurance

One other type of insurance to consider is disability insurance. When an Active-duty Service member becomes ill or injured, he or she continues to receive pay and benefits. This type of coverage is not automatic in the civilian sector. Generally, an employee must elect to have disability insurance to receive some or all their pay while in recovery. Many employers offer some type of disability insurance as part of the compensation package, or it can be purchased separately.

Wrap Up

- Why would tracking your expenses for a period of time prior to transition benefit you? What are the different ways you can track your spending?
- How will expenses change after transition? How can you decrease your spending?
- Where can you get health insurance after transition?
- What are your options for dental and vision insurance?

DEBT & CREDIT

Competency

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

Learning Objectives

- Understand debt and credit
- Analyze the impact of credit on your transition
- Identify ways to decrease debt prior to transition

What is debt?

A debt is a payment owed to another person, organization, agency, or company. When a debt is not paid or a payment is missed, there are consequences, such as late payment fees, an increase in interest rates, or repossession of the item.

What is your current debt?

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

Items that fall into the debt category generally include:

- Mortgage or home loan
- Loans (e.g., car, personal, consolidation, student, advance/payday)
- Credit cards (e.g., bank, department store, gas)
- Family, friends, or aid organizations

ACTIVITY: Update the Debt Section of your Spending Plan

Follow the directions provided by your facilitator and fill in the appropriate areas. Remember to include the following:

- Mortgage or home loan
- Loans
- Credit Cards
- Debts to family/friends or aid organizations

Debt-to-Income Ratio (DTI)

As you transition, it is good to know the amount of debt you have in relation to your current income. This is your DTI. This ratio is one measure of your financial well-being. It is also what lenders use, along with other factors, to decide your credit worthiness and what interest rate you will be provided.

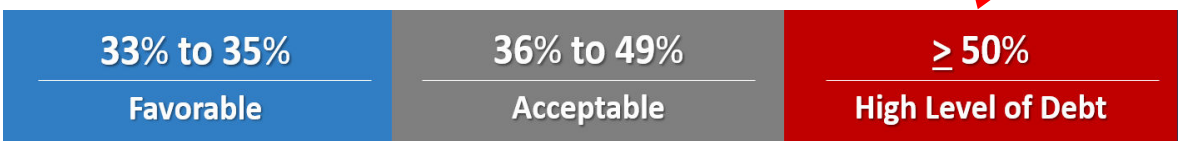
DTI Calculation

$$\text{DTI} = \left[\frac{\text{Monthly Minimum Payments (rent, mortgage, loans, credit cards, etc.)}}{\text{Gross Monthly Income}} \right] * 100$$

Any DTI calculated is a snapshot of your current situation, so it needs to be recalculated regularly as your income and/or debt change. In general, the following applies to DTI.

- Less than 35%: Favorable – debt is manageable.
- 36% - 49%: Acceptable – room for improvement.
- Over 50%: High level of debt. With over half your income going to debt, any event requiring additional funds could cause serious financial hardships.

If your debt is at or close to 50% make an appointment with a financial counselor!



Decrease Debt

If you want to reduce your debt, consider these ways to decrease debt:

Decrease Debt:		
• Pay more than the minimum payment. • Pay down debt using a power pay plan. • Refinance debt.	• Use any raise or windfall to pay down a debt. • Enroll in a non-profit debt management program.	• Negotiate to settle for less than what you owe. • Seek assistance with your Service PFM if in serious debt.

1. **Pay more than the minimum**
    - Paying more than required each month will save you money on interest and reduce the principal amount faster.
        - TIPS: Schedule the extra payment BEFORE the due date; make sure the extra is going toward the principal; or add to the monthly minimum payment.

2. **Use a Power Pay Plan**
    - Websites are available to assist with how to use power pay plans.
    - *Debt Snowball:* Make minimum payments on all but the smallest amount owed; on the smallest pay as much as you can. By doing so, you will eliminate the smallest debt first then roll the entire amount into the payment for the new smallest debt. This creates a larger "snowball" of money toward the increasing larger debt amounts.
        - TIPS: start by listing all outstanding debts, arranged from smallest to highest. Determine how much additional you can add to the smallest with minimum payments on the rest.
    - *Debt Avalanche***:** Make minimum payments on all but the highest interest debt owed; on the highest interest debt, pay everything extra you can to pay it off as quickly as possible. By doing so, you eliminate the costliest debt first. When the highest interest debt is paid off, add those payments towards the next highest interest debt until all debt is eliminated.
        - TIPS: Compared to the debt snowball, avalanche can cost you less in interest, but the snowball may allow you to pay off a debt sooner.

3. **Refinance a debt**
    - If you have good credit and income, you may be able to refinance some debts to a lower interest rate, which can save money and help you repay debt faster. Generally, you can do this through a debt consolidation loan or by transferring credit card debt to a lower or 0% interest credit card.
        - TIPS: Change your spending habits before consolidating or transferring debts. If you get access to additional credit by consolidating or transferring debt, you might increase your debt if you do not follow through with your plan to pay down debts. Do your research on debt consolidation offers to ensure you use a reputable bank or company. If transferring credit card debt, understand what fees apply to the transfer and be sure to pay off the amount before the end of the promotional period when the interest rate will revert to the normal interest rate or higher.

4. **Commit windfalls or raises to debt**
    - If you receive a large sum of money, apply the money to your debt.
        - TIPS: Decide how you will divide the money and promptly pay toward the debt to avoid the temptation to use it for other purposes.

5. **Consider a debt management plan (DMP)**
    - In a debt management plan, you make one payment to the credit counseling organization each month or pay period to use toward payments to your creditors. Credit counselors usually do not try to reduce the amount of debt you owe, but they may be able to help lower your payments by having you make payments over a longer period, or they may get your creditors to lower your interest rate.
        - TIPS: Find a reputable nonprofit credit counseling service. You can contact the Financial Counseling Association of America at fcaa.org or by phone at (800) 450-1794, or the National Foundation for Credit Counseling at nfcc.org or by phone at (800) 388-2227.

6. **Settle for less than you owe**
    - Call your creditors to see if accrued interest can be waived if you enroll in a debt management program.
    - Call your creditors and negotiate a settlement of your debts, generally for less than you owe.
        - TIPS: You can do this on your own with no need to pay someone else to do it. Some debt settlement or debt relief companies may be scams that charge you high fees and can put you into a worse position than when you started. Get the terms in writing when the credit company agrees.

7. **Re-examine your budget**
    - Look at each item on your spending plan. Determine need vs. want to find expenses which can be reduced or eliminated. Use the "extra" money to pay toward the debt.
    - TIPS: Move excess funds to a "debt-payoff fund" in your spending plan to account for the money. Once available, make debt payments as soon as possible to reduce interest paid overtime.

8. **Seek assistance from your installation or TAP financial counselor!**
    - If you need assistance with paying down debt, creating a budget, or understanding your finances, make an appointment with the installation financial counselor.

Managing Your Credit for Transition

While it is necessary to understand your level of debt prior to transition, it is equally important to understand and manage your credit.

The purpose of this section is to make you are aware of how credit can affect your transition—positively and negatively.

Credit Report

The most important document related to credit is your credit report. This document provides information about your credit activity and current credit situation. It also provides details on your loan repayment history, a list of all open accounts, and the status of your accounts.

Therefore, it is important to review your credit report before you transition.

A **FREE** report is available each week from each of the three credit bureaus: **Equifax, Experian,** and **TransUnion.** Download a copy of a free credit report.

NOTE: Do NOT pay for a credit report! If a website wants payment or instructs you to add a credit card, you are not on the correct site. All three credit bureaus have services you can pay for (i.e., credit monitoring), but accessing your credit report is free.

ACTIVITY: Access your Credit Report

Use the links from one of the three credit bureaus and follow the prompts to access your credit report.

- TransUnion: Credit Report
- Experian: Credit Report
- Equifax: Credit Report

Reviewing Your Credit Report

It is important to become familiar with the information on your credit reports from all three credit bureaus (Equifax, Experian, and TransUnion) and verify it is correct and accurate. Each report is slightly different and should be checked for the items listed below. If you are in a committed relationship, your significant other should also check.

Check the following items:

All personal information

- Review all personal information for accuracy.
- Closely check your name—first, last, and middle for spelling or other errors.
- Check to ensure your current and previous addresses are correct and spelled correctly.
- Check to see if the current employer is correct.

All open accounts

- Review every open account.
- Ensure all accounts have been opened by you.
- Look at closed accounts.
- Close any accounts you did not open.

Inquiries for credit you applied for

- Review applications for credit.
- Ensure you are the one who applied.

Account history listed for your accounts

- Review the account history for each account.
- Ensure payments were captured and reflected accurately.
- On time payments are one of the largest determining factors for a credit score.

Negative information

- Review any negative information listed.
- Ensure the accuracy and verify the information is describing YOU.
- Most negative information will remain for seven years; some negative items can stay on longer or indefinitely.

Bankruptcy information

- If you filed for bankruptcy, ensure all debts that were cancelled are listed accurately.

Most major creditors obtain information from more than one credit bureau when you apply for credit or loan. Therefore, it is important to request and analyze a report from each credit bureau. It is **your responsibility** to review information on your credit report and to request corrections.

Correcting a Credit Report

If you find incorrect or inaccurate information on your credit report, immediately start the process to have it corrected. To do so, contact both the credit-reporting agency and the creditor that provided the information. Each credit agency provides an online tool to dispute inaccurate information on your credit report. A direct link to each agency's dispute site is listed below:

- TransUnion: Dispute Your Credit:
- Experian: Disputes
- Equifax: Credit dispute

If the inaccurate information is more complicated, visit your local installation PFM to assist you in understanding your options.

Clean Up Inaccurate Public Record Information

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

Explain Damaging Items

If you have damaging items on your credit report, provide an explanation to the lender from whom you are applying for credit. Federal law requires that creditors at least consider your explanation. This can often be effective.

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

Credit Scores

A credit score is a three-digit number representing your credit worthiness. A lower score indicates a higher credit risk and a higher score indicates a lower credit risk. Credit scores are widely available to consumers from sources such as banks and credit card companies.

There are two main models when calculating credit scores, FICO (Fair Isaac Corporation) and Vantage Score. Both have credit scores ranging from 300 to 850; the national average for a FICO score is 717, while the national average for Vantage is 701 (as of January 2024). FICO and Vantage are similar with minor differences so if you have a high or low credit score with one, you most likely have a similar score with the other.

Within FICO and Vantage there are different types of credit scores depending on what kind of information lenders are requesting and which credit score model is being used. In addition, credit scores change frequently due to the credit bureaus constantly adding to and updating your report.

Credit Scoring Factors

FICO is the largest credit scoring company with over 90% of the market. Most creditors and credit bureaus either use FICO scores or have a system based on the FICO system. Therefore, we will concentrate on FICO.

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

- **Payment history** (about 35% of the score)
  - Paying credit accounts on time
- **Amounts owed** (about 30% of the score)
  - Amount of credit used compared to your credit limits.
  - Commonly referred to as credit utilization
- **Length of credit history** (about 15% of the score)
  - Length of time your credit accounts have been established and the length of time it has been since you used certain accounts
- **New credit** (about 10% of the score)
  - The number of new accounts that have been recently opened (i.e., number of new requests for credit)
- **Credit mix** (about 10% of the score)
  - FICO scores will consider the mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans

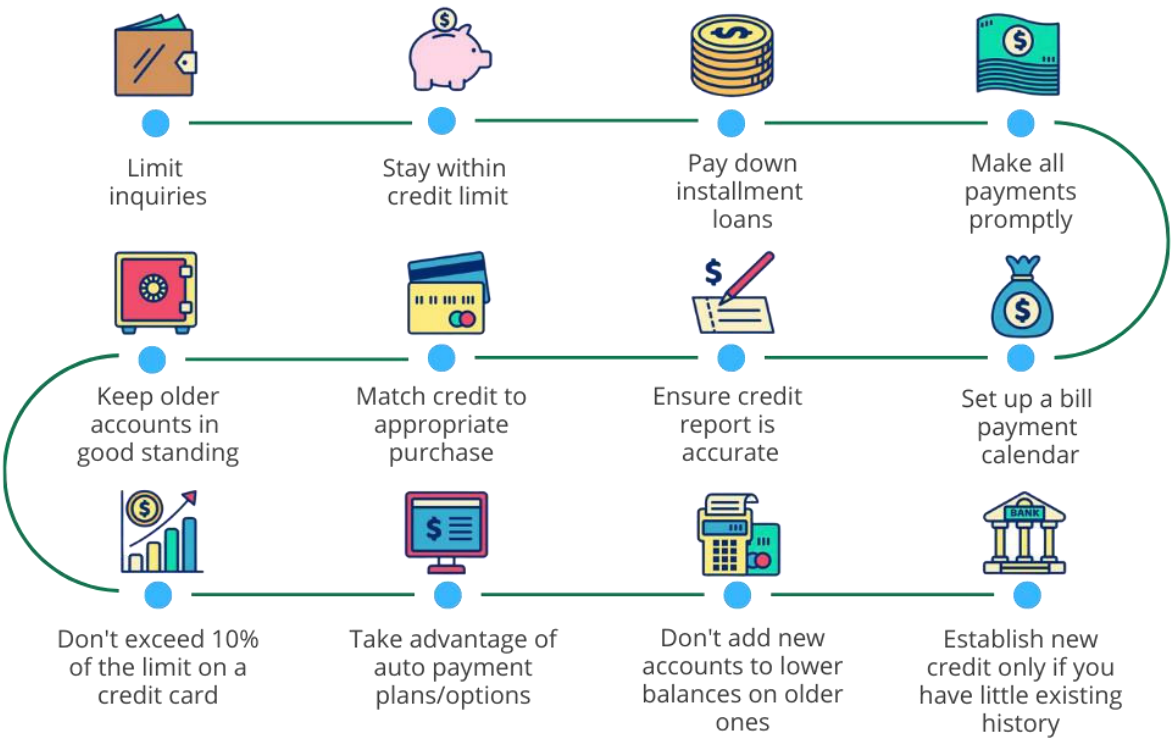
Knowing what creditors are evaluating helps you understand what adjustments you can make to improve your score.

NOTE: Do not let the "number of new requests for credit" factor stop you from shopping around for the best loan. Multiple credit checks for the same type of loan will count as a single inquiry if they occur within a short period of time (14 – 45 days).

Ways to Improve Your Credit Score

The best way to improve your credit score (and maintain a good credit score) is to pay your bills on time and keep balances on credit cards below 10% of the credit limit (credit utilization).

Some ways to improve or maintain your credit score include:



Although your life during transition may be hectic and in a state of flux, it is critical that you remember to pay your bills. The following are suggestions on ways to track your bills:

- Set up auto pay for bills through the biller's website or your bank
- Utilize online bill pay
- Set a reminder in your phone or email
- Set up an email account to use specifically for bills

Credit and Your Transition

Your credit report is viewed for various reasons before, during, and after transition.

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

Why Should I Care?

- Influences hiring, home loans, insurance, applying for government assistance
- Higher score = favorable ability to be hired, to be approved to rent, to be granted a loan, or to be insured

Knowing how your Credit Report and Score can impact your transition makes reviewing and correcting inaccuracies more important.

Credit Repair Agencies and Debt Relief Companies

Credit Repair Agencies

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

Debt Relief Companies (aka settlement)

- Debt settlement programs often involve a company negotiating with your creditors to allow you to pay a "settlement" to resolve your debt. Typically, this settlement is a lump sum that is less than the full amount you owe. Settling a debt for less than the full amount owed can affect your credit and security clearances. Debt settlement programs benefit those to whom the money is owed; they do not necessarily work in your best interest.
- Instead of working with a debt relief or debt settlement company, consider working with a non-profit debt counseling or debt management plan or try to resolve the situation directly with your lender. Occasionally

WARNING: These companies will need your PII to gain access to your credit report. This makes you **very** vulnerable to identify theft.

If you find yourself in debt, seek the assistance of your installation's Personal Financial Manager (PFM). Their sole purpose is to help you, and they can provide sound debt relief advice and guidance.

After transition, assistance with financial concerns is available online through ConsumerFinance.gov, finred.usalearning.gov, and Department of Labor American Job Centers and on your installation.

Fair Credit Reporting Act (FCRA)

To ensure fairness when it comes to credit reports, the federal FCRA was created to promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. FCRA ensures that you have the following rights:

- To be told if information was used against you.
- To know what is in your file.

- To dispute incomplete or inaccurate information.
- To ask for a credit score.
- Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.
- Consumer reporting agencies may not report outdated negative information.
- Access to your file is limited.
- To require your consent for reports to be provided to employers.
- To limit the "prescreened" offers of credit and insurance you receive based on information in your credit report**.**
- To seek damages from violators.
- To obtain a security freeze.

Financial Well-Being Factors

Together, your level of debt and credit score are indicators of financial well-being. However, when analyzing both, it is important to note that no single number accurately reflects your current financial situation.

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

Look at your entire financial situation and gain a good understanding as you enter transition. Are there any numbers you would like to change? Start making those changes now. However, it is important to remember that change may be slow.

No matter your financial situation or well-being, you are highly encouraged to make an appointment with a free military financial counselor. They can walk you through financial changes during transition specific to you. Having control of your debt and credit as you enter transition will allow for more financial flexibility during the transition period.

Wrap Up

- What are 2 ways to reduce debt?
- How do you access your credit report? Why is this important?
- How can you improve your credit score?

ASSETS

Competency

Evaluate your assets and understand options available during and after transition.

Learning Objectives

- Define assets
- Calculate your net worth
- Illustrate the difference between a defined-benefit plan and a defined-contribution plan
- Analyze options available for the Thrift Savings Plan (TSP) when transitioning
- Recognize the reasons a savings account is essential during transition

Assets

An asset is a possession of value that is or can be converted into cash. Examples include personal property, savings, investments, retirement pensions, and life insurance.

During transition, you will need to make financial decisions concerning your existing savings, investments, retirement pensions, SBP, and life insurance. Understanding the current value will be helpful to making these decisions.

After transition, it becomes important to understand the different types of retirement plans. As a new employee you will be required to make decisions pertaining to a retirement plan. Having basic knowledge of the subject allows you to ask questions and make an informed decision.

Personal Property

Physical items which can be converted to cash:

- House, vehicle, jewelry, collectibles, electronics, and other items

Savings

Savings are an extremely important part of the financial picture. During and after transition, savings will ensure financial stability should you have a gap in employment or in case of an emergency. Savings, emergency savings, and goal savings are generally used for short term needs.

- **Savings**:
  - Equivalent to two weeks of expenses or $1,000, whichever is greater
- **Emergency savings**:
  - A minimum of three-to-six months of living expenses to include rent/mortgage groceries, utilities, and loan or debt payments
- **Goal savings**:
  - Funds specified for items you want; this could be for a new car, vacation, home, or other items

Savings should be considered a part of a spending plan, just like any other recurring expenses. Regular, consistent contributions (even if a small amount) go a long way toward building your savings.

Investments

Investments are a longer-term savings and generally used when planning for retirement.

- Investments:
  - Thrift Saving Plan (TSP)
  - Mutual funds
  - Stocks
  - Individual Retirement Account (IRA)

Most investments will not be affected or impacted by transition, with one exception, your TSP.

TSP

TSP is a savings plan for retirement and counted as an asset.

If you have a TSP and are transitioning, you need to make a decision about your account. There are three options: **Stay, Rollover, Distribution**.

Stay

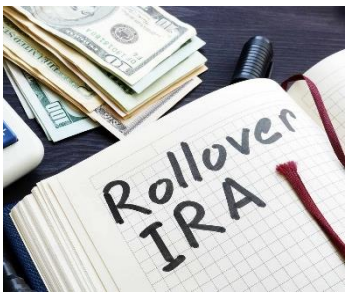
- With at least $200 in your TSP, can leave funds to grow
- Retain access to account to change your investment mix
- Defer federal income taxes on any tax-deferred amounts
- Unable to contribute monthly from a non-military paycheck

NOTE: If you have tax-free contributions, moving into another account will void the tax-free status.

Make any adjustment or changes through the TSP Mobile App and TSP website.

Rollover

- If you become a federal civilian employee, you have the option of combining your military TSP account into your civilian federal TSP by rollover
- Rollover some or all into an eligible employer plan, such as a 401(k)
- Rollover some or all your TSP account into an IRA



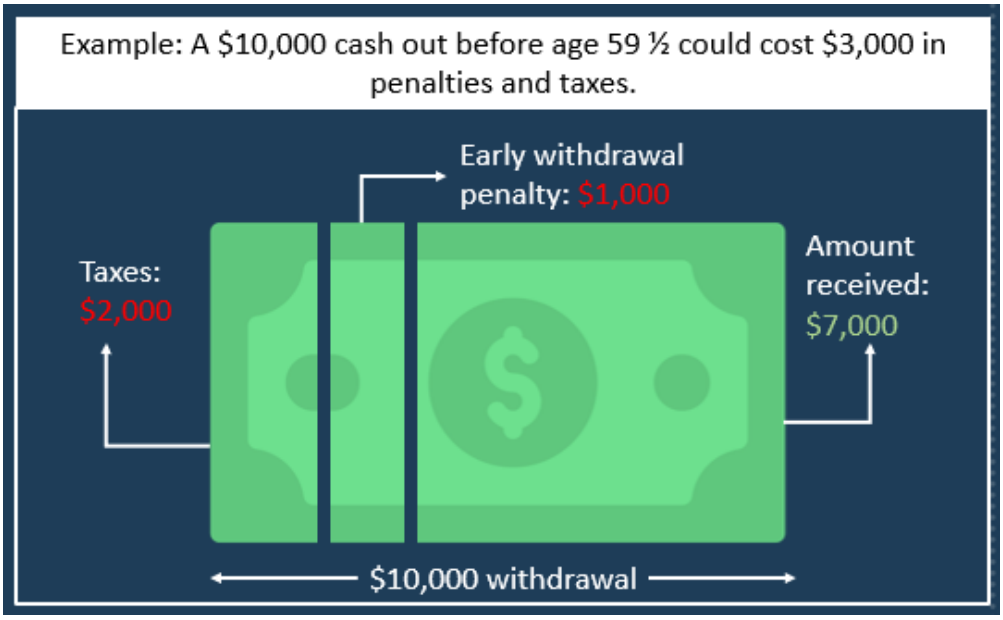
To rollover TSP funds, contact the financial institution you want to rollover **to** and have them start and process the paperwork for the rollover. You can create tax obligations and incur penalties by withdrawing and moving the funds yourself.

Distribution

- Take a full or partial distribution by choosing one of the following distribution options:
  - Receive scheduled monthly payments
  - Purchase a life annuity
  - Take a partial withdrawal
  - Receive a single payment for the total amount

Retirement funds are intended for retirement, but withdrawing funds is an option. Before you take any distribution from your TSP, be aware of the possible penalties and taxes.

Warning! Some types of TSP distribution payments are subject to federal income taxes, fees, and potential IRS withdrawal penalties. Altogether, this can amount to over 30% of the distribution. This does not account for any state taxes which may also apply.



TSP Updates BEFORE Transition:

- **Update address** – Before separation, make sure that your address is correct on the TSP section of myPay. After separation, update your address in "My Account" on the TSP website and TSP mobile app.

- **Beneficiaries** – Verify that your TSP beneficiaries are listed correctly and are aware of the TSP death benefits, account number, and how to access.

- **Loans** – For loans against your TSP, you have three options:
    - Keep the loan active by setting up monthly payments by check, money order, or recurring direct debits.
    - Pay off the loan by the required deadline.
    - Allow the loan to be foreclosed and accept any taxable portion of the outstanding balance and accrued interest as taxable income.

NOTE: You cannot take a new loan after you separate from Service.

For Guard and Reserve members – be sure to visit the TSP website listed below for information on USERRA and TSP as you change status:
Career changes | Thrift Savings Plan (tsp.gov)

Tip: Be cautious of "financial advisors" or investment salespersons who may get paid by recommending that you transfer your TSP to be managed by them. Always understand how your financial advisor gets compensated to ensure that they are recommending actions in your best interest.

TSP Resources
For more information

- Call the TSP ThriftLine at 1-TSP-YOU-FRST (1-877-968-3778)
- Visit the TSP website.

Retirement Plans

Retirement plans are an asset. To assist with retirement, most employers offer some type of retirement plan to help you save, such as a 401(k) or another similar plan.

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

Defined-Benefit Plan

A defined-benefit plan is a company-funded retirement plan available after a set number of years with the company or organization. This type of plan is rare, with the military or government employment being some of the few available.

Example: High-3

A defined-benefit plan has a known or calculatable amount provided to the recipient. Generally, the amount is determined as a specific dollar amount or as a percentage of wages. Characteristics of a defined-benefit plan include:

- Funded by the employer
- Employer assumes all responsibility for the payment of the benefit and all the risk on funds invested to pay out that benefit

For specific information on this plan, visit the Military Compensation website specific to your situation ACTIVE-DUTY or RESERVES.

Defined-Contribution Plan

Examples:
401(k), TSP

A defined-contribution plan is a retirement plan in which the contribution is defined, but the ultimate benefit to be paid is not. These plans take many forms and include TSP, 401(k), and other similar plans. These plans are much more common in the civilian sector, making you responsible for funding your retirement.

Characteristics of a defined-contribution plan include:

- Considered portable, contributions made by employee (you) will always be the property of the employee; contributions made by the employer (company) become the property of the employee after vesting.
- Contributions can come from the employee and/or the employer.
- Each participant has an individual account.
- The benefit at retirement depends on the amount contributed, the funds selected, the investment performance of that account through the years, and any applicable management fees.
- Investment risk rests solely with the employee because of the opportunity to choose from several investment options.

Military Retirement Plans

From the military, there are two retirement plans currently in use, the High-3 and Blended Retirement System (BRS). Which one you are eligible for is determined by your initial date of entry and is provided on your LES.

High-3:

- Serve 20 or more qualifying years to earn a lifetime monthly payment.
- Available for those with an initial entry date *before* January 1, 2018.
- Calculated at 2.5% times years of services times the average of the highest 36 months of basic pay (Defined benefit plan).
- TSP account is available for Service member contribution, but with *no* government matching contribution.
- Additional information is available on the Military Pay - RETIREMENT website.

BRS combines elements of the legacy retirement system with benefits like those offered in many private-sector 401(k) plans.

Blended Retirement System (BRS):

- Serve 20 or more qualifying years to earn a lifetime monthly payment.
- Calculated at 2% times years of services times the average of the highest 36 months of basic pay (Defined benefit plan).
- TSP account is available for Service member contribution, *with* the government matching funds up to 5%. (Defined contribution plan).
- Requires 2 years of Active-Duty before being fully vested, and 5 years for the full government matching.
- Entry date after January 1, 2018, BRS is the only option; those before 2018 had the option to transfer to BRS.
- Additional information is on Military Compensation - BRS website.

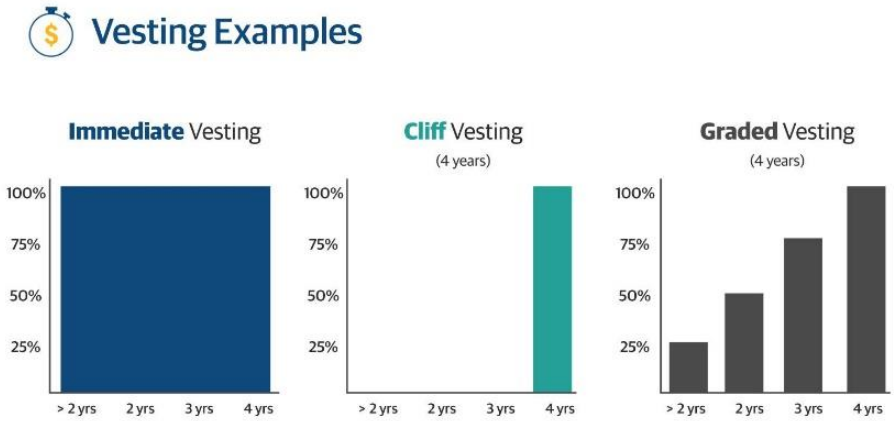
Employer Retirement Plans

Employer retirement plans take many forms with most following the defined-contribution plan. Examples are:

- TSP
- 401(k), 403(b), IRA
- Employee stock options

Employers may also offer matching contributions into your company retirement plan to assist you with funding your retirement.

Be aware, many companies require a waiting or vesting period before an employee can keep funds contributed into their account by the employer. Even within the military, there is a 2-year waiting period before TSP contributions made by the government become property of the Service member.



Life Insurance

As part of your estate planning, it is necessary to consider life insurance.

The purpose of life insurance is to replace the loss of income upon the death of the insured and to be able to pay debts, funeral expenses, future expenses, education costs, or anything else you might need. How much is necessary? That fully depends on your current life situation. A family with young children will have different life insurance needs than a couple nearing retirement.

How much life insurance do you need?

When considering life insurance, the first step is to evaluate your life insurance needs. This is to ensure you have enough coverage, the right type of coverage, and the correct beneficiaries.

To ensure you have enough coverage, use a simple acronym, **LIFE**, to calculate your life insurance needs.

Liabilities: a debt owed, such as a mortgage, car loans, student loans, credit cards, etc.

Income: annual salary times years to replace that income

Final Expenses: burial, estate taxes, legal fees

Education: college or certification for survivors

LIFE minus liquid assets, existing college funds, and current life insurance policies = **Life Insurance Needed**

If you are retiring and chose SBP, this will need to be considered when considering the amount of life insurance needed as it is a guaranteed amount for the life of the survivor.

Life Insurance Options

After transition, SGLI coverage continues for 120 days. After that time, SGLI and FSGLI are no longer options. After separation, you need to consider other options through VA, an employer, or through a private insurance company.

Veterans Group Life Insurance (VGLI) – allows Service members one year plus 120 days, from the date of separation, to convert their SGLI coverage to term life insurance. There are no health questions if the conversion is done within 240 days of separation. You can also convert to a commercial policy within 120 days.

- Once enrolled in VGLI, coverage remains if the premiums are paid
- Rates are determined using a sliding scale based on age
- Visit the VGLI website for more information

Employer Life Insurance – provided by an employer, possibly as part of the benefits package or as an option to enroll and purchase through a payroll deduction. Usually, health questions are not asked prior to coverage. Coverage amounts are usually based on a multiple of your salary.

Private Life Insurance – many companies and banks provide life insurance. You pay a premium for an amount of coverage that will be based on your health at the time you obtain the policy. Be aware, these companies can be aggressive once you visit their websites.

Life Insurance Plans

No matter where you purchase life insurance, there are two types of life insurance plans offered: Term and Permanent.

Term Life Insurance	Permanent Life Insurance
Provides coverage at a fixed rate of payments for a limited period of time or term. Generally, coverage expires after the limited period of time.	Covers you until your death, while the payments are made, and provides a cash value. • Payments are made until the coverage matures, generally around age 100 of the insured.

• Renewing the policy may result in a higher rate or have added conditions. • Often the least expensive way to purchase substantial death benefits.	• More expensive than term life insurance. • Ensures a guaranteed financial support if premium payments continue. • Provides a cash value which can be borrowed against. • AKA: Whole Life, Variable Life, Universal Life, Variable Universal Life, and Indexed Universal Life

If you have medical concerns that make it difficult to purchase life insurance from a private company, converting your SGLI or obtaining an employer-provided policy may be your best option.

Finally, ensure you have identified a designated beneficiary. This is the only way to ensure the life insurance is paid to whomever you choose. A beneficiary designated on a life insurance policy will overrule any designations made in your will.

Final thoughts on Life Insurance:

- Finding the right life insurance coverage takes time and there are hundreds of companies competing for your business.
- Shop around and get life insurance quotes from a few different companies. However, realize that you may be required to provide them basic information including your contact information to obtain a quote. This may lead to phone calls or emails from the company.
- By comparing quotes, you can discover the differences in cost and in coverage as well as how much premiums will increase as you age.
- Depending on how long you wait to find life insurance coverage and the life insurance company you choose, you may be required to take a physical. The results of the physical can affect the cost of the premium.

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

Survivor Benefit Plan (SBP)

SBP is an elected benefit for retirees and their eligible dependents. It not considered an asset during transition as it is only applicable after the death of the veteran and therefore should be considered when estimating a need for life insurance.

If elected, your designated beneficiary will continue to receive a portion of your retirement pay for the rest of their life, as long as they remain eligible. Since the benefit begins after the death of the retired Service member, there is a cost while you are living in the form of a monthly deduction taken from your pre-tax retirement pay.

When electing SBP, you will choose the amount of coverage. If you are married and choose to decline SBP or choose less than full SBP coverage, it is required for your spouse to show agreement with this decision. Other eligible beneficiaries can be a child, former spouse, or a natural interest person.

Once enrolled, you have the ability to cancel your SBP election during the third year of your retirement. During this time, you can only cancel, not enroll. As with declining at retirement, spousal agreement is required.

For more information, consult the websites listed below, make an appointment with your PFM on the installation, or determine if your installation has a class on SBP.

- Defense Finance and Accounting Services (DFAS) – SBP
- Financial Readiness - SBP: What is the Survivor Benefit Plan?
- Military Compensation - SBP
- Office of the Actuary – SBP Financial Analysis Tools

Your Net Worth

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

To determine your net worth, you first need to calculate the value of your assets. It can be challenging to assign accurate values to each item. To avoid inflating your net worth and not accurately portraying your wealth, it is important to make realistic estimates when placing value on certain assets.

There are many websites which can help value your assets, such as your home, car, jewelry, and other tangible goods.

Your net worth is another indicator of your financial well-being. If the figure is negative, it means you owe more than you own. If the number is positive, you own more than you owe. A negative net worth does not necessarily indicate that you are financially irresponsible; it just means that - right now - you have more debt than assets.

While your net worth will fluctuate, it is the overall *trend* that is important. Ideally, your net worth continues to grow as you age if you pay down debt and acquire more assets.

Estate Planning

No matter your net worth, it is important to have a plan for your estate to make sure all your assets are transferred as you wish. An estate plan is not just a will but a host of documents. Estate planning fully presents your wishes and preferences, not only in the event of your death, but should you become incapacitated in some way.

Common documents included in an estate plan:

- **Will:** a legal document that indicates how you would like your assets to be distributed after your death and allows you to nominate guardians for your dependents.

- **Trust:** an entity created to hold and manage assets; unlike a will, a trust can be private and can also allow for management of assets upon a person's incapacity. Can also be used in the case of an individual with special needs as the SBP beneficiary.

- **Beneficiary Designations:** designates who will receive certain items upon your death, common for 401(k), TSP, and life insurance policies. Also, include a contingent beneficiary should the initial beneficiary no longer be available.

- **Durable Power of Attorney for Finance and Healthcare:** assigns someone to act on your behalf when you cannot do so prior to your death; ends upon death.

- **Healthcare Advanced Directive:** provides medical personnel with your wishes regarding healthcare should you become incapacitated.

- **Guardianship Designations:** ensures any children under the age of 18 are given into the care of your preferred guardian. Guardianship can also be included in a will.

- **Letter of Intent:** non-legal document that explains your wishes regarding your estate and funeral details and includes account information and passwords for online access to the accounts.

It is important to have arrangements for your estate, yourself (should you become incapacitated), and any minor children. Otherwise, these decisions will be made by the state. The installation legal office can provide you with more information and/or assistance prior to your transition.

Wrap Up

- What is an asset, a liability, and net worth? How do these impact your transition?
- Explain the difference between a defined-contribution and defined-benefit retirement plan?
- What is the purpose of estate planning? Where can you have these documents created before you transition?

FINANCIAL PLANNING FOR YOUR TRANSITION

Competency

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

Learning Objectives

- Create a plan containing next steps in the financial journey to prepare for your transition
- Interpret information to identify scams
- Identify reliable financial resources after transition

Financial Planning and Transition

There are basic steps to take when working through and creating your financial plan for transition. This course provides most of the information you need to create your plan to ensure financial success during your transition.

CONSIDER: What is your current financial situation?

During this course, you completed the following: reviewed your current income, determined your civilian equivalent salary, created a list of your expenses and debts, analyzed your credit, and determined your assets. Use this information to analyze your current financial situation.

- ☐ Review the following from your spending plan:
  - Income
  - Expenses
  - Debt
  - Assets
- ☐ Consider the following:
  - Do you use reduced-cost benefits while serving in the military (i.e., healthcare, commissary, childcare)?
  - Are you know where your income is being spent?
  - Are you comfortable with your level of debt?
  - Have you calculated all savings and assets?
  - Is your credit report accurate, and is your credit score acceptable?

All factors need to be taken into consideration as you transition. Knowing this information will allow you to be better prepared financially for transition.

CONSIDER: What financial changes will occur during and after transition?

Now that you know your current financial situation, consider your finances for post-transition. Finances will change post-transition. You may have a job that pays more or less than your military service. The cost of living may be different in your new location. There may be more living expenses than you had previously. Each of these situations can impact your financial situation.

- Based on your post-transition plans, what financial changes do you need to consider:
  - Have you calculated the income necessary to maintain your current lifestyle after transition to a new location?
  - Did you include the additional cost for reduced-cost benefits in your projected income needs?
  - Is your savings enough to cover 3-6 months of expenses should there be a gap in employment or between your last paycheck in the military and your first in civilian life?
  - What new living expenses do you have to pay?
  - Will there be relocation expenses?

CONSIDER: Are you prepared with strategies to reduce the impact transition may have on your finances?

As you transition, situations may arise which negatively impact your current financial situation. Regardless of your financial well-being is solid or needs some improvement, it is good to identify where adjustments can be made to improve your financial situation.

If necessary, what can you do to improve your financial situation prior to transition?

- Within this course, there were discussions on how to improve your financial situation. Here is what you can you do to:
  - Increase income
  - Decrease expenses
  - Decrease debt

Consider which of the strategies discussed can be implemented to stabilize or secure your financial situation prior to transition. Which of these options would be helpful should you find yourself in an unstable financial situation?

The recommendations provided can assist with the following:

- Increasing your savings – used in case of an unexpected emergency, a gap in employment or receipt of a paycheck, and to protect your credit
- Lowering debt - which is ideal for your transition
- Decreasing financial based stress during and after transition

Create or update your transition spending plan (CRS for this module).

You have now researched all the information required to complete your transition spending plan.

CONSIDER: Are you prepared financially to transition?

Final and Retirement Pay

Final Pay

DO NOT expect your final paycheck to be deposited in your account the following payday after you separate or retire. It can require up to **120 days** to process your final pay. Processing includes an audit by the finance or administrative office for any debts. Common debts include tuition debts, travel overpayments, and small pay adjustments. Any debts will be deducted from your final pay.

Furthermore, your last paycheck will be deposited on a random day after being processed. Do not expect a deposit on a payday.

For final pay issues, concerns, or questions contact DFAS.

- DFAS: 888-332-7411
- AskDFAS

Retiree Pay

As you prepare for retirement, visit the DFAS - Retired Military website for information on retirement pay and how to apply. You must complete DD Form 2656, Data for Payment of Retired Personnel, to receive your retirement pay.

Retirement Pay: 30-60 days to receive first retiree pay.
For final pay issues, concerns, or questions contact DFAS.

- DFAS: 800-321-1080
- AskDFAS
- DFAS – Retired & Annuitant Pay

Accessing Pay Information After Your Transition

As you prepare to leave Service, it is important to update your personal information in myPay or in Direct Access for the Coast Guard. This will allow you to easily access myPay or Direct Access and tax information without your military ID card.

myPay

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

- Update your email address
- Update your mailing address
- Update your Security Questions for Password Resets.
- Review your Personal Settings Page for accuracy and outdated information.
- Save/Print a copy of all your W2s and LES statements within 13 months of separation.
- Review and update your direct deposit information.

myPay After Transition

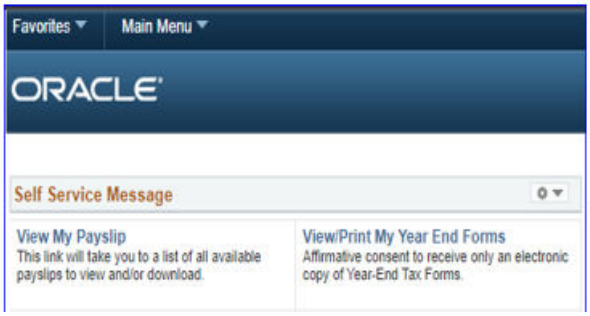
It is important to:

- Create the non-CAC login.
- **Separatees** maintain access to your myPay account for 13 months.
- **Retirees** have continued access with the DS Logon and Password you established; however, your active component pay statements are only

available for 13 months. A retired myPay account will be established to manage your retiree pay and account statements.
- **Retiring reservists** do not have myPay access. You will be mailed a new myPay password once you reach retirement age and your retired pay account is established.

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

Direct Access for Coast Guard After Transition



- Visit U.S. Coast Guard Pay & Personnel Center (PPCs) webpage or https://www.dcms.uscg.mil/ppc/ras/
- Enter your 7-digit Employee ID (Emplid) in the **User ID** field

Trouble accessing your account
- Call PPC at 1-866-772-8724 to speak to a Customer Service Representative.
- E-mail to ppc-dg-customercare@uscg.mil

Prior to Transition
Visit the Self-Service page review and update if necessary:
- Mailing address
- Phone number (should be a personal number)
- Email address (to a personal email)
- Delivery options
- Password
- Federal and State Tax

Fraud and Scams

In 2023, the American public was defrauded out of **$10 billion dollars**, according to the FTC.

While in the military, and even more as you transition, you become more enticing to those trying to commit fraud or scams. Frauds and scams change over time to become more effective in separating you from your money. Therefore, it is

important you learn to protect yourself by identifying the red flags that signal a scam and the common scams geared toward the military.

Red Flags:

- Sounds too good to be true
- Pressures you to act "right away"
- Guarantees success
- Promises unusually high returns
- Requires upfront investment – even for a "free prize"
- Overpays you and asks you to send the overpayment back to them as a personal check

Scams Common to Military Personnel and Veterans:

- *Fake military charities* – names sound like real charities asking for money for disabled or wounded veterans
- *Phony debt collectors* – contacted and pressured to pay debts you do not have
- *Credit monitoring scams* – target active-duty being deployed and offer to monitor credit and defend against identify theft
- *Military loan scam* – advertise loans with no credit check or instant approval for Service members but have high interest rates, upfront fees, or hidden fees.
- *Lump Sum BRS scam* – encourage you to take the lump sum from BRS and the company offers to manage it for you; generally non-federal entities, for a higher fee and includes the possibility of tax obligations and penalties for taking early withdrawal.
- *DFAS/myPay Phishing scam* – pretend to be from DFAS or other military group to get your PII by claiming your information was lost; attempts to steal your identity.
- *Insurance scam* – insurance agents engage in high pressure tactics and make phony claims on policy benefits which are generally expensive and not necessary.

Protect yourself by being alert to the fact that frauds and scammers exist. Research anyone who claims to be part of a Veteran Service Organization or a Military Service Organization. Take the time to thoroughly research and vet any product, idea, or organization, *especially if it sounds too good to be true!*

Consumer Financial Protection Bureau (CFPB) provides additional information on Scams and Frauds.

While in the Service, there were protection or advantages which may no longer apply after transition. Visit the websites below to research the implications of losing the following protections:

- Servicemembers Civil Relief Act (SCRA): Protections for active-duty Service members in the areas of financial management, rental agreements, security deposits, etc. CFPB – Servicemembers Civil Relief Act

- Uniformed Service Employment and Reemployment Rights Act (USERRA): Protections for National Guard and Reserve reemployment rights when returning from a period of service and prohibits employer discrimination based on military service or obligation. DOL - USERRA

- Military Lending Act (MLA): Provides special protections for active-duty Service members such as capping interest rates on many loan products. CFPB – Military Lending Act

- Internal Revenue Service (IRS): While on active duty, there are special tax breaks and incentives that you were entitled to but are not available to you after separation/retirement. IRS – Military

Pre-Transition Resources

Take advantage of free services available while you are still in the Service.

- **Personal Financial Management Program** staff (i.e., PFM, CFS and PFC)

- **Military OneSource** can evaluate savings programs, provide information on how to talk to creditors, and help you weigh your financial options.

- **Legal services** are available while you are in the military, so take advantage of these free resources to create/update your wills, power of attorneys, etc., before you leave active duty.

Post-Transition Resources

If you need assistance creating a spending plan or financial strategy for transition or you are having financial difficulties, ASK FOR HELP.

Retiring: Maintain access to financial counselors and assistance on the installation.

Separating and Retiring: Resources available outside of the installation include:

- American Job Centers (AJC)
- Non-profit, financial education organizations
- Military OneSource (for 365 days after separation or retirement)
- Resources by State

Wrap Up

- Are you financially ready for transition? If not, what can you do to get ready?
- Who do you contact if you have a question about your final pay?
- Where can you seek financial assistance while still in the military? After you transition?

Career Readiness Standard (CRS)

The CRS for this course is the completion of the transition spending plan. You have already begun the process of creating or updating a spending plan, and you have a solid foundation of knowledge to complete this CRS requirement.

Course Summary

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

TAP INTERAGENCY WEBSITE GUIDE

TAP INTERAGENCY WEBSITE GUIDE

The TAP Interagency Website Guide is a comprehensive document that contains all websites referenced in TAP courses.

THE WEBSITE GUIDE IS LOCATED AT:
https://www.tapevents.mil/Assets/ResourceContent/TAP/TAP_Interagency_Website_Guide.pdf

OR

SCAN THE QR CODE BELOW WITH THE CAMERA ON YOUR PERSONAL DEVICE TO ACCESS THE GUIDE

Features of the Website Guide include:

- Single source for websites referenced in TAP courses
- Searchable
- Includes URL and description of each resource
- Updated biannually

TAP Interagency Website Guide categories include the following:

- TAP Resources
- Military Services
- Career Planning
- Disability/Wounded, Ill, & Injured
- Education
- Employment
- Entrepreneurship
- Family & Caregiver Support
- Federal, State, & Local Resource Locators
- Finance – Personal & Family
- Healthcare
- Housing
- Insurance
- Mental Health
- Sexual Assault and Military Sexual Trauma
- Social Media & Networking
- Volunteer Opportunities
- Additional Information and Resources

TRANSITION ASSISTANCE PARTICIPANT ASSESSMENT (TAPA)