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Financial **2023** Planning Guide

February 9, 2023

HOW TO
**READ AND
UNDERSTAND
YOUR LES**

YOUR JOURNEY TO
**FINANCIAL
WELLNESS**

INVESTING BASICS

A BEGINNER'S GUIDE

5 TIPS
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BUYING A CAR OR TRUCK?

Courtesy of Military Consumer



U.S. Air Force Airman 1st Class Maria Juanico, poses with her new car at Altus Air Force Base. She found a financial program that provided her with tips on saving money. Photo courtesy of U.S. Air Force

One thing that comes with being in the military is almost constant change — new cities, new homes, new friends — and new cars. If you're thinking about buying a new car or truck, know that service members and their families are often targets of fraudulent car dealers. Some unscrupulous dealers will advertise for a particular vehicle, or as military friendly, lure you to the dealership, then claim the vehicle is unavailable. They'll try to sell you on a different vehicle at a different (usually higher) price.

Here's what to do:

- **Before you shop for a car, shop for financing.** By getting pre-approved for financing, you know the terms, including the annual percentage rate (APR), length of the loan (number of months), and maximum amount you can borrow.
- **Get an “out-the-door” price for the car in writing (such as email) before you visit the lot, and before you talk about financing with the dealer.** That means getting the dealer to send you the total price of the car, before financing, including taxes and fees. That will help you make apples-to-apples comparisons with other offers and shop around for the best deal.
- **It's ok to say no to add-ons.** Add-ons are not free. They're extra products or services you buy and finance along with the car. Common add-ons include Guaranteed Asset Protection (GAP insurance), window etching, extended warranties and service contracts. If you don't want an add-on, just say no. If you do want to buy an add-on, ask questions about its coverage and when it can be used. It's never ok for dealers to charge you for add-ons without your consent.
- **Your time is valuable, and your bargaining power is greatest before you go to the lot.** Remember that you have rights. You also may want to look at an FTC staff report that highlights some of the challenges people face while buying and financing vehicles.

And, if you believe a dealership charged hidden fees, discriminated against you, or lied in their advertisements, please tell the FTC at [ReportFraud.ftc.gov](https://www.ftc.gov/ReportFraud).

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BEING SMART ABOUT USING CREDIT CARDS

Courtesy of Military Consumer

Buying now and paying later can add up. If you carry a balance on your credit card from month to month, you'll pay interest on that balance every month. If you ever miss a payment, your interest rate will go up, so you'll pay even more.

Tips:

- If you're getting a credit card, compare at least three different cards. Look at:
 - The annual fee: how much you pay to use the card for a year
 - The annual percentage rate (APR): The APR is the cost of credit expressed as a yearly rate. Your credit history, current finance rates, competition, market conditions, and special offers are among the factors that affect your APR. Try to negotiate the lowest APR just as you would negotiate the price of a vehicle.
 - How much interest you pay in a year on balances you carry each month. The higher the APR, the more you'll pay.
 - Fees - how much will you pay if a payment is late? What about if you go over your credit limit?
 - The grace period, which is the time between when you spend the money and when the card company charges you interest. You want at least 25 days to pay, if available.
 - Other incentives, like airline miles, cash back, or donations to charities
- Considering a store card to get a discount? Ask the same questions before you apply.
- Try to pay your whole bill every month. That way, you avoid interest charges. It will also help you build the best possible credit history. If you just can't pay in full, make at least the minimum payment before the due date.
- How many credit cards you choose to have depends on your situation and preferences. Using credit cards responsibly helps build your credit record. A greater number of cards may tempt you to spend more and may be challenging to keep track of. It might also have a negative effect on your credit score.



ARE YOU FINANCIALLY FIT?

HOW TO MAKE FINANCIAL WELLNESS HAPPEN

Courtesy of Military OneSource

They say money can't buy happiness, but a financially healthy future can buy peace of mind. Plus, financial security at home allows service members to be more focused and mission-ready. The military cares about your financial future. Whether you want to learn about investing or create a personalized spending plan, help is right at your fingertips. It's never been easier to create a financial plan and stick to it.

Programs and resources for better money management

Each service branch has a comprehensive Personal Financial Management Program that can help you manage your money and resolve your financial problems. Got debt? Want to improve your credit score? Ready to create a long-term savings plan? There are installation-based programs and additional resources through Military OneSource to help with all your goals and more. Here are a few ideas to get you started.

Take financial education classes

As a military family, you have access to numerous classes and seminars, both through your installation and via MilLife Learning. Choose from a variety of topics like:

- Banking and credit union services
- Budgeting, goal setting, record keeping and cash management
- Credit use and abuse
- Consumer rights and obligation
- Insurance
- Military pay
- Planning for parenthood, deployment, college or retirement

Check with your installation's Military and Family Support Center

about classes on the installation or visit MilLife Learning to see what's available online.

Seek out financial counseling

Not only is financial counseling available free of charge to you and your family, but the counselors are uniquely equipped to understand military life and the financial challenges many service members face. With the help of a personal financial counselor, you can:

- Learn personal finance basics
- Learn how to resolve complaints on your credit record
- Learn about military savings programs
- Create a plan to pay off your debt
- Research large purchases and make a savings plan
- Get information on emergency financial assistance



Michael Chatman, Military and Family Readiness Center personal financial counselor, instructs Team Mildenhall Airmen about financial responsibility and money management. Photo courtesy of U.S. Air Force

- Understand the long-term consequences of bankruptcy

To find a financial counselor on your installation, visit Military OneSource's MilitaryINSTALLATIONS. If you don't live near a military installation, financial counseling is also available through Military OneSource and the Military and Family Life Counseling Program. Military OneSource offers financial counseling in person, by phone or via video chat.

Take advantage of finance programs

Your counselor can give you more information about financial programs for service members and help you decide which options are right for you:

- *Military Saves* - Military Saves is designed to help service members create a savings plan and learn about high-interest savings,

consumer reporting, credit scores and overall financial well-being.

- *The Savings Deposit Program* - This Department of Defense program gives deployed service members the opportunity to build their savings in a designated savings account that earns 10% interest throughout their deployment's duration.
- *Thrift Savings Plan* - This government-sponsored retirement savings plan for service members and federal employees allows for all contributions to be tax deferred.
- *The Military Consumer Campaign* - This campaign was created to help service members and their families become more informed consumers and avoid common financial scams that specifically target the military community.

Emergency support resources

There are also private, nonprofit relief organizations designed to assist military families when they need it most. Whether it's emergency transportation, funeral expenses, bills, disaster relief or other unforeseen family emergencies, each service branch has a relief society to help:

- Army Emergency Relief
- Navy-Marine Corps Relief Society
- Air Force Aid Society

Achieve financial fitness by using the resources available to you and your family. Don't wait any longer to get out of debt and start saving.



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Preparing for deployment by setting savings goals

Courtesy of Military OneSource

When you and your family are preparing for a deployment, set savings goals that will make the most of your special payments. Sticking to these goals will keep you ready for the future with control over your finances.

Choose your deployment savings goals

When you first begin setting savings goals, being specific is key. Keep these few tips in mind:

- Pick something meaningful. You'll be more motivated to save if you have a meaningful goal in mind — like paying off your debt, building up your retirement account or putting aside a down payment for a new house.
- Set a specific dollar amount. This will help you track your progress and know how close you are to achieving your goals.
- Be realistic. Keep track of your income before and during deployment so you can set a savings goal that is realistic. Use your myPay account to view your Leave and Earning Statements.

Stick to your deployment savings goals

After you've chosen your savings goal, it's time to make a plan of action. Here are a few things that will help you and your family stick to your goals throughout your deployment:

- Figure out the logistics. Consider how much you need to save each pay period to reach your goal and where you'll be storing your savings. For instance, will you be using an existing savings account, a Thrift Savings Account or the Savings Deposit Program?
- Meet with a personal financial counselor. Guidance can help you determine the best way to manage your savings during deployment. Take advantage of free personal financial counseling through Military OneSource by calling 800-342-9647 or meet with a counselor through your Military and Family Support Center. OCONUS/International? View calling options.
- Make it a team effort. Sticking to a savings goal can be more manageable when you have someone else in your corner. Work with your spouse or partner to make your goal a reality or share your plans with a friend for some extra accountability.
- Use the Military Saves pledge. Make your savings goal official by taking a pledge with the Military Saves program. While you're there, check out the available resources to help you stay on track.

Your deployment is the perfect time to focus on your family's future with a strong savings plan. For more information and resources, visit Military OneSource's Financial and Legal pages and get tips for keeping your finances.

Responding to identity theft

Identity theft can disrupt your life, wreck your finances, and even lead to the loss of your security clearance.

TIPS

Act fast:

- ▶ Call the companies where you know fraud occurred. Ask them to close or freeze those accounts because your identity was stolen. Change your account logins, passwords, and PINS.
- ▶ Then visit [IdentityTheft.gov](https://www.identitytheft.gov) or call 1-877-438-4338. Report the crime and get a recovery plan that's just for you. You can create an account that helps you with the recovery steps and tracks your progress.
- ▶ Place a fraud alert and get your credit report. Contact one of the credit bureaus for the alert. It's free and lasts 90 days. That bureau must tell the other two. You'll get a letter from each credit bureau confirming that they placed the fraud alert on your file.
 - ▷ Experian.com/fraudalert
1-888-397-3742
 - ▷ TransUnion.com/fraud
1-800-680-7289
 - ▷ Equifax.com/CreditReportAssistance
1-888-766-0008
- ▶ Notify your commanding officer. You don't want them caught off guard if they get calls looking for you, trying to collect on debts that aren't yours.

Courtesy of Military Consumer



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Keeping an eye on your subscription services

Courtesy of the DoD Office of Financial Readiness

Most people don't realize that when they spend money, they also activate the same area of their brain as when they feel physical pain. Subscription services and auto-billing are the leaks in your financial plan that you don't pay attention to.

Automatic subscription payments take away the “pain of paying.” Less pain is a good thing, right? Well, not always. Pain is a signal from the body to tell the brain that something bad is happening. Can you imagine the damage to your hand if you didn't know when you were touching a hot stove? When you take the pain of paying away, you may spend more money without thinking much about it.

Sellers of products have been making it less painful to give up your hard-earned dollars for thousands of years. Back in the days of bartering, a trapper would drive a much harder deal for 15 pelts traded for specific supplies than if he was paid in gold coins. Why? Because he remembered the cold, hard hours spent in the woods collecting those pelts. If he traded for gold coins and then went into the local trading post and bought supplies with the coins, that memory of the pain was not as strong.

Fast forward to the credit card era. Here you don't see the “pelts” and the spending is 10 times less painful. Not only do you not hand over the physical gold coins, but you never see the money, and you don't have the pain of paying for it immediately. Sure, in a month or so you have to pay your credit card bill, but you were able to leave your hand on the hot stove for much longer than you should have. Ouch!

Reduce your automatic payments for subscription services and apply all or part of the savings to building your net worth.

Think about the different types of automatic expenses you have. Are they worth keeping?

Written by Dave, an Accredited Financial Counselor® who has been helping families plan their finances for more than 30 years.

I enjoy writing blogs on financial topics. This one ended up being one of the most lucrative blogs I have ever written. Just before submitting it, while I was doing my final edit, I realized that I had not taken my own advice in a long time. I think my last review of my own monthly bills was over two years ago. So, I took another look and re-examined a \$100,000 term life insurance policy with a monthly premium of \$148.00. I had taken that policy out several years ago for a specific purpose. Things changed, and I no longer needed the policy. I canceled it. I guess you could say that I will be getting paid \$148.00 a month for the rest of my life just by listening to my own advice. Of course, my wife asked me why I had not done it sooner.

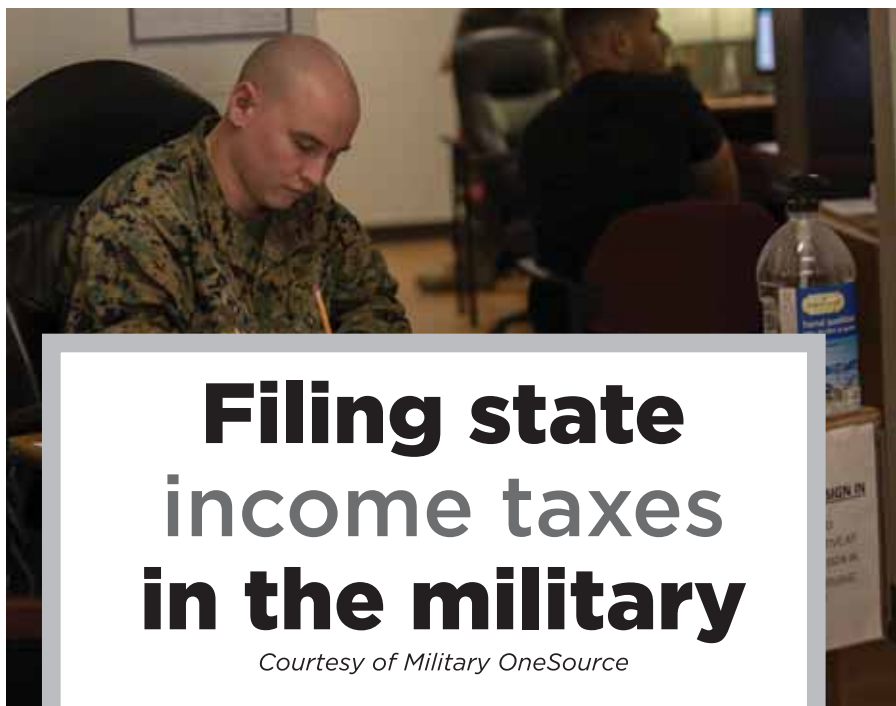
Premium cable channels, satellite radio, insurance policies or even fruit-of-the-month clubs are just a few to review. Each one may be a relatively small monthly amount, but by eliminating or reducing just a few, you can end up bolstering your savings or investments.

The process is very simple:

1. List every bill that is automatically, or even manually, paid.
2. Then start analyzing the most recent statement to see what the components of the bill are. Highlight purchases you can do without or reduce.
3. Call each company and find out if they can change your services or possibly reduce your bill.
4. Pledge to apply at least half, if not all, of the reduction to your financial goals.

If you don't have the time or energy to do this, there are companies that will do it for you — but be aware of debt relief and loan modification scams. The Federal Trade Commission is a good place to check first before you agree to work with these companies. Some may charge up to 40% of the first two years of your eventual savings. So if you do look into this option, make sure they are legitimate and research the company's background and customer satisfaction ratings. There are both good and bad bill negotiation companies out there.

Think about it. I bet you have other bills that could be reviewed that I haven't even mentioned. This is better than getting a raise. It's extra money in your bank without having to pay taxes on it. Doesn't get better than that.



Filing state income taxes in the military

Courtesy of Military OneSource

When you're constantly on the move, it can be hard to know where to file your state income taxes.

Active-duty service members and their spouses have protections under the Servicemembers Civil Relief Act, including one regarding where to claim residency for the purposes of taxes and voting. There are rules for military service members and slightly different rules for military spouses.

As a reminder, Military OneSource MilTax services include free tax prep and e-filing software, as well as consultations with experts to answer your questions about state taxes, the SCRA and other tax-related matters.

Active-duty service members and state taxes

Active-duty service members file state income taxes in their state of legal residence. Military service members are not required to change their legal residence when they move to a new state solely because of military orders; they may maintain their legal residence in a state where they have previously established it.

Your state of legal residence is the place where you claim to maintain a permanent legal residence, as demonstrated by a wide variety of factors that include:

- Maintaining voter registration and voting
- Filing and paying state income taxes
- Maintaining a driver's license
- Registering vehicles and other indicators of intent

Your legal residence as shown by these factors should be the same place as your legal residence indicated on your Leave and Earnings Statement.

SCRA rules for state income taxes apply only to the service member's military income. Income from other sources, including second jobs and rental property, are not covered by the SCRA protections and need to be reported to the state in which it was earned.

Military spouses and state taxes

Military spouses may elect to use their active-duty service member's state of legal residence for the purposes of taxation, as long as their current location is a result of their service member's military orders.

Military families in atypical situations are not always covered by these protections, and the military spouse may need to file in the state where they currently reside.

Military children and state taxes

The provisions of SCRA do not apply to military children. If required to file state income taxes, they should file in the location where they physically reside.

Do you have questions about your federal or state income taxes? Schedule a free appointment with a Military OneSource MilTax consultant by calling 800-342-9647 or using live chat at [MilitaryOneSource.com](https://www.MilitaryOneSource.com).

HOW TO SAVE MONEY IN A RECESSION



When the economy has your wallet feeling a little thin, how will you find ways to save? Here are some tips to help you.

Courtesy of USAA

Economists define a recession as two consecutive quarters in a decline, but for some people, that doesn't mean much. It can feel like we're in a recession, even though some indicators remain strong, such as job growth. "Although people's perceptions about a recession may not be entirely accurate, there's no doubt inflation can be a real pain in the wallet. If every trip to the grocery store and gas station costs an extra \$50, your savings can easily take a hit, especially if you're not making savings a priority", says USAA Advice Director Robert Steen.

At its core, saving money in a recession requires discipline and a laser focus on the future. "When we start hearing people on the news talk about a recession, it's easy to feel like we have to do something," Steen says. In fact, staying the course — especially if you have a thoughtful approach — is the best route," Steen says.

Stock your emergency fund

With recessions come financial uncertainty. Whether their fears are justified, people feel concerned about having to take a pay cut or losing their job, missing a house payment or even getting a new car battery if it dies unexpectedly.

According to Steen, you can feel confident in the face of uncertainty if you have an emergency fund. "Not only is an emergency fund essential for your financial stability, it also helps with your general peace of mind," he says. "Once you've saved three to six months' worth of living expenses, you know you have a cushion if you were to unexpectedly have a change in employment or other life change."

If you do the math and feel overwhelmed by saving three to six months' worth of expenses,

don't feel overwhelmed and give up. "Start by saving what you can, with an initial goal of \$1,000. Then build from there," Steen advises.

Pay yourself first

This advice applies even in the best of times, but it's especially true when you're planning how to save money in a recession.

Whether you're putting your savings in an emergency fund, toward your retirement or in an account you've specified for your next vacation, automatically saving a predetermined portion of your paycheck keeps you from making snap emotional decisions you could regret later.

"During a recession, there's a lot of confusion and mixed facts and figures, which causes cognitive dissonance," says Steen. "Staying the course is super important."

USAA Federal Savings Bank's four Savings Tools are free automatic savings tools that help you save money routinely and without effort:

- **Recurring Transfers Tool.** This automatically transfers money from regular deposits to your chosen USAA FSB account. You can decide which recurring deposits to use and how much gets transferred.
- **Text Savings Tool.** This analyzes your checking account every few days to see if \$1 to \$9 can be transferred to your chosen USAA FSB account. It also sends you a daily text message with your available checking account balance.
- **ATM Rebates Tool.** The tool transfers your USAA checking account ATM rebates to your chosen USAA FSB account so you save the funds rather than spend them.
- **Tax Refunds Tool.** This helps you save a portion of your tax refund when it is directly deposited into your USAA FSB account.

Take a look at "the big three"

Steen often cringes when financial advisors give the same basic advice about how to save money. It's not that he disagrees with the guidance; it's just that he wants people to focus their efforts where it can make the biggest impact.

"Cutting back on your daily Starbucks trip adds up, and it's certainly money you can put toward savings, but start by thinking through whether you can make dents in your biggest expenditures," he advises.

Steen points to average annual expenditures from a 2020 study by the Bureau of Labor Statistics. The study revealed that, on average, people spend most of their money in three categories: 35% of their income on housing, 15% on transportation and 12% on food.

"Single people reported spending an even bigger percentage of their money on housing," Steen says. "If you're in a situation where you can think about getting a roommate to share that cost, you're looking at real savings." Most people can't just snap their fingers and move, he notes, but if you're in a transition period, it's a good time to evaluate housing and roommate options.

The same goes for transportation. Does your family have a lifestyle that would allow you to downsize a vehicle? Could you carpool or take advantage of mass transit? "I once worked with a recent college graduate who'd just gotten his first job and was paying \$800 a month for his car payment," Steen remembers. "He'd gotten the car because that's what a lot of his friends were driving, and he honestly had no idea the huge difference in car payments."

When it comes to food, the third biggest expense, Steen points to cooking at home as one of the most significant ways you can save money. "I'm not a big coupon clipper, but I do love to cook," he says. "And in general, cooking is cheaper than eating out."

Keep an eye on your credit score

If you have a higher credit score, you'll generally qualify for a lower interest rate and better terms. Considering that most people spend most of their money on housing and transportation — and that buying a house or a car starts with a credit check — it follows that a better credit score can help you save money.

How to recession-proof your finances

There's usually no need to worry about whether your money is secure in a bank during a recession. "Bank deposits are generally secure even during a recession, since they are subject to FDIC insured limits," says Steen.

During a recession, the more realistic concern is not that your money is secure, but that it's earning enough to beat inflation, Steen says. "If you're afraid of riskier investments, a bank can be a safe haven during a recession. And I would never tell somebody to take money out of a market because of a recession — it just depends on your situation, where you are in life, and your risk tolerance and risk capacity."

In general, bank accounts, such as savings accounts and certificates of deposit (CDs) are safe and secure in any economic environment but may not pay out as much as other alternatives.

The USAA Advice Center provides general advice, tools and resources to guide your journey. Content may mention products, features or services that USAA Federal Savings Bank and/or USAA Savings Bank do not offer. The information contained is provided for informational purposes only and is not intended to represent any endorsement, expressed or implied, by USAA or any affiliates.

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45-49	\$5.50	\$11.00
50-54	\$9.35	\$18.70
55-59	\$17.05	\$34.10
60-64	\$26.17	\$52.34



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UNDERSTANDING YOUR LEAVE AND EARNINGS STATEMENT

Your monthly Leave and Earnings Statement (LES) is one of the most important financial documents you have for mastering your money and achieving your financial goals. Use the LES to budget your monthly expenses and plan for a purchase. Here's how to decipher the code.

First, what is the LES exactly?

It's your monthly report of earnings, deductions and leave balance. Your statement covers:

- Monthly base pay
- Additional entitlements, such as special pays or allowances
- Deductions
- Allotments
- Tax withholding
- Thrift Savings Plan contributions
- Insurance deductions
- Available leave or vacation days earned

Anything else I should note?

- Track your Social Security. Sign up for a my Social Security account to verify and track your earnings or to use the retirement estimator tool.
- Stay current on your pay. Understand when special pay — like deployment pay, hazardous duty pay and other special duty pay — is supposed to begin and when it should end.
- Mistakes happen. Regardless of who made the error, a “no pay due” could be the result. Watch for overpayments too.
- Find an error? Contact your command administration or finance personnel.

Save even a little money every month. Visit [MilitarySaves.org](https://www.dfas.mil/militarymembers/). You can find a sample LES at <https://www.dfas.mil/militarymembers/>.

Where can I access my statement?

Access your LES online through the myPay system or the U.S. Coast Guard Pay & Personnel Center. You'll need a login and password or a computer with a Common Access Card reader.

What should I look at on a regular basis?

Stay on top of your information — especially income and deductions. Mistakes can happen. Review these items every month and make sure they're correct:

- The Entitlements section shows your base pay, special or incentive pay and allowances, like Basic Allowance for Housing or Basic Allowance for Subsistence.
- The Deductions section shows things that are deducted from your pay, including Medicare and Social Security taxes, state and federal taxes and Thrift Savings Plan contributions.
- The Allotments section lists your allotments. Be sure you know what they are, who is receiving them and if/when they will be paid in full.
- The amount of money you receive is shown in two places. Your mid-month pay is listed as a deduction, and your end-of-month pay is listed. Is the amount accurate for your situation?
- Are your TSP contributions and life insurance premiums being properly deducted?
- How much leave do you have available? Do you have leave you need to use before the end of the fiscal year? Any impending changes to your pay or notices from your command?

5 Tax tips

for service members and their families

By Josh Andrews CFP, Courtesy of USAA



As tax time approaches, military members and their families should take time to understand the special advantages the IRS extends to them.

Here are some of the benefits that could apply to you:

For deployed service members

Many service members know combat pay isn't taxable. This benefit can save thousands of dollars, and it's already reflected on tax forms. Deployed members also may request extensions for filing tax returns, paying taxes and contributing to IRAs. But be aware of the potential downside—a delay in filing can delay a refund too, if the IRS owes you money.

For members of the Reserve and National Guard

When your Reserve or Guard duties take place more than 100 miles away from home, you may be able to deduct unreimbursed travel expenses. What's more, the cost to purchase and maintain uniforms can be tax-deductible if off-duty wear is prohibited—as is usually the case. Just make sure to factor in any uniform allowance or reimbursement.

For military spouses

Since 2009, military spouses can keep an established state of residency when accompanying a service member relocating on orders through the Military Spouses Residency Relief Act. That means those married to service members don't necessarily pay state income taxes in the state where they've relocated.

For home sellers

Taxpayers selling homes may avoid paying capital gains taxes if they've lived in the home for two of the five years before the sale. Uniformed members may get relief from this rule if orders require them to move—though the details can be complex.

Free assistance

Don't forget that free tax assistance is available for military members and for some civilians as well.

- You can get tax preparation support and e-filing software that is personalized to military life from Military OneSource and the Department of Defense's MilTax.
- However, military members aren't the only ones who might receive free tax preparation services like IRS Free File. It's available during tax season for tax filers up to certain income limits.
- Another program available to members of the military and civilians is the Volunteer Income Tax Assistance Program, known as VITA. VITA for military members, which is offered through the Armed Forces Tax Council, offers free tax consultation and preparation. Information about VITA for civilians only can be found [here](#).
- Finally, all enlisted active-duty military members and reservists can file both federal and state taxes online for free with any TurboTax Product.

Paying for Your Education

Courtesy of MilitaryConsumer.gov

Tips

While you're still in the service, take advantage of the benefits offered.

- Your service's Tuition Assistance (TA) program could pay for much or all of the cost of your studies.
- DoD's TA Decide can help you compare schools to see if they're eligible to accept your benefits and if they meet your educational goals.
- Talk to your service-level contact for Voluntary Education Programs who can explain benefits eligibility, funding, and programs.
- Active duty service members also may take advantage of the GI bills; research your options so you can decide whether to use your post-9/11 GI Bill and Montgomery GI Bill benefits while you're serving, during your transition to civilian life, or as a veteran.

Research your options for financing your education as you're planning to leave the service.

- The Transition Assistance Program prepares you and your family for pursuing education, a job, or business ownership in civilian life.
- State veterans' affairs offices can explain what state veterans benefits you're eligible for.
- Check VA's GI Bill Comparison Tool to find out whether a school or program is approved for GI Bill benefits, how much your benefits will cover, and how much you'll need to pay.
- Visit the Department of Education's StudentAid.gov for information on federal

loans, grants and scholarships.

- Military OneSource can point you to many scholarships and loans.
- Don't listen to companies that guarantee they can get you a scholarship in exchange for an up-front fee. Most give you nothing in return – and they make it impossible to get a refund.
- If you already have student loan debt, there are programs to reduce what you have to pay.

Understand some student loan basics.

- You can supplement your GI Bill benefits with federal student loans.
- There's a lifetime cap on the total amount of federal student loans you can take. Once you hit the cap, you can still take out private loans – but they usually cost more.
- You have to repay the loans whether or not you finish school.
- Federal student loans usually have better terms than private ones.

Call the school's financial aid office or bursar's office.

- What is the program's total cost, including fees for things like equipment or labs?
- Will you pay by the course, semester, or program?

Before you commit to any student loan, compare:

- How much you're borrowing and the interest rate
- When repayment begins
- How much time you have to repay the loan

Your education benefits can help you during your service or after you transition to civilian life. But once you've used them, they're gone. Choose the school with the best value for your money and a degree that will help you get where you want to be. Then the loans you take out will be worth it.



8 Things you should do with your Guard/Reserve drill pay

Photo courtesy of U.S. National Guard

Courtesy of USAA

Serving in the National Guard or Reserve has never been easy. Between your family, military career and civilian employer, there's a lot to juggle. If you focus too much on one of your responsibilities, the other two could suffer.

According to Military OneSource, more than one in four active-duty service members plan to join the Reserves. There are plenty of reasons to take this step, but one major benefit of life as a military civilian is the Guard/Reserve drill pay.

What is Guard/Reserve drill pay?

Drill pay is part of the total compensation for members of the Guard and Reserve who perform drilling and other training duties. Service members' drill pay depends on their length of service and rank. For training, National Guard and Reserve members normally perform at least one weekend drill each month and two weeks per year of active duty.

8 ways to spend your Guard/Reserve drill pay

When you receive your first drill paycheck, you may be torn over the best place to direct your money. Here are eight ways you can put Reserve and Guard pay to work.

1. Build emergency and reserve funds.

If you have a fully funded emergency fund, you won't be tempted to reach for your high-interest credit card when faced with an unexpected expense. USAA considers a "fully funded" emergency fund to have three to six months' worth of living expenses.

Don't get discouraged, however, if you haven't started saving or if that amount seems unattainable. Begin with an initial emergency goal of \$1,000. Reaching this first goal gets you in the habit of saving and provides a small buffer for life's unexpected expenses. Once you reach it, you can continue to save.

For many service members, Guard/Reserve drill pay doesn't replace the civilian pay they lose while serving—another reason serving their country is a sacrifice. Because war-time deployments typically last between six and 12 months, for example, there may be a prolonged income gap.

In addition to your emergency fund, USAA recommends establishing a reserve fund, which can help reduce financial stress during these periods. If you have an income gap, the money in your reserve fund can help you pay your mortgage or unreimbursed travel expenses.

Consider your typical deployment duration and time between deployments to determine how much money you should save in a reserve fund. If you expect to earn more during times of military service, your reserve budget will give you a surplus that you can use to improve your financial situation.

2. Pay down debt.

Life is stressful enough without having to worry about how you're going to pay off high-interest debt. If you're already using the income from your civilian job to cover your expenses and save for the future, Reserve and Guard pay can be your opportunity to pay off high-interest debt like credit card debt.

In the past, you may have used credit cards to make it through the month or cover unexpected emergencies, but as a reservist, your drill pay can help you get out of debt so you can use your hard-earned money to fund other goals.

3. Save for your retirement.

A recent PricewaterhouseCoopers study shows that Americans approaching retirement have only saved an average of \$120,000. This may seem like a hefty lump sum, but that provides a monthly retirement income of less than \$1,000—and that's just over a 15-year period. Even with Social Security added, your savings might not be enough to pay all the bills and live the lifestyle you and your family desire.

Guard and Reserve pay can provide extra funds for your retirement account.

Because funding your retirement is so important, consider maximizing all of your opportunities to save. If you're under the Blended Retirement System, make sure to take advantage of automatic and matching contributions that can be seen as free money.

If you're also contributing to a civilian 401(k), keep the following tips in mind:

- Since your contributions are managed in differ-

ent locations, it can be easy to overcontribute if you don't track them carefully.

- Synchronize your TSP and civilian retirement plan contributions. If you contribute above the legally permitted limit, you'll face taxes on the excess amount.

4. Pay off medical bills.

If you have TRICARE Reserve Select, it's likely those bills are relatively small. In 2022, the catastrophic cap is \$1,120 per family, per calendar year—an amount that's easily covered by a well-funded emergency fund.

However, if you're covered under a civilian health care plan rather than TRICARE Reserve Select, those costs can be much higher. The average family deductible for employer-based health insurance plans was \$3,722, according to research by the Kaiser-Family Foundation. The catastrophic cap, or maximum out-of-pocket limit, for these plans is much higher.

If you have medical bills, consider using Guard and Reserve earnings to pay them off.

5. Pay down your auto loan.

If your income is sufficient to cover your expenses, including saving for your future, and you still have some left over, consider funneling Guard/Reserve drill pay toward your auto loan.

Paying off your car early can free up cash flow to put toward other goals. Plus, when you eventually separate or retire as a reservist, you'll be able to enter that period of your life without this additional debt.

6. Start an education fund for your children.

Many of us find ourselves wondering whether we should save for our children's education now or funnel extra money into our retirement funds. Eventually, when college bills begin to roll in,

we may feel pressure to reduce our retirement contributions in order to pay tuition bills.

Guard/Reserve drill pay can make it easier to plan for college and retirement. For those who did not transfer their Post 9/11 GI Bill benefits to their children, extra income from drilling can help pay for college while not putting a pause on retirement savings.

7. Make home improvements.

Not only is your home your sanctuary; it's probably your biggest asset. Taking care of it makes it more comfortable for you and boosts its resale value if you ever decide to move.

When it comes to home improvement projects, all are not created equal. Consider prioritizing budget-friendly kitchen and bathroom remodels as well as roof and window upgrades to add the most value. Use Guard and Reserve pay to make upgrades over time so that you don't have to go into debt.

8. Add to or build a family vacation fund.

Guard and Reserve earnings should be used for more than just paying off debts. Research shows the majority of service members' stress comes from their obligation to spend time away from family. And it goes both ways. Families who are left behind often feel overwhelmed, worried and lonely.

To reduce this stress, budget some of your drill pay to spend time with your family. Go on a small weekend vacation, visit that nice restaurant you've always wanted to try, or spend a day being a tourist in your own city.

I'm not suggesting you go overboard or into debt. After all, the last thing you want to do is add financial stress to your list of worries. But if you follow the first seven things on this list, there's no reason you can't indulge in a little fun. You earned it.



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Investing basics:

Bonds, stocks, mutual funds, ETFs



Courtesy of DoD Office of Financial Readiness

Ready to dip your toes in the investing waters, but not sure where to start? Understanding the different purposes, processes and types of investments can be intimidating at first, especially if you've previously focused on saving opportunities.

While building a strong savings foundation—like your emergency fund—is important, balancing the risks and rewards of investing can help your money grow over time.

Bonds, stocks, mutual funds and exchange-traded funds, or ETFs, are four basic types of investment options. They have the potential to earn a higher return, but they also carry a greater potential for loss if sold when the market is lower.

Bonds — An IOU to You

Governments, municipalities and companies issue bonds to raise money. The bond is essentially an IOU from the issuer that promises to pay an investor interest over the life of the bond, plus repay the amount invested—the principal—at a certain due date, known as maturity. This is a way to invest, while still minimizing risk. It can also be a way of ensuring an income stream since bonds often pay interest twice a year. Some bonds (e.g., many municipality bonds) also carry tax advantages.

There are still risks involved, however. While U.S. savings bonds are considered one of the safest investments, bonds issued by individual companies or municipalities may be risky if the issuer runs into financial difficulties. The issuer can also buy back the bond, which effectively pays the remaining principal balance in full and cancels the bond.

Stocks — A Piece of a Company

Stocks are a type of security that allow an investor to own a share, or a piece, of a company. When a company wants to raise money, it will sell shares of its stock. If the company performs well, it may pay its shareholders part of its earnings, called a dividend. Stock owners sometimes also get voting rights at shareholder meetings.

Stocks have a great potential for growth over time. However, they can also

carry a great deal of risk, as the stock market can fluctuate greatly. If you purchase a share of stock and the price goes down, when you sell it, you will lose money.

Mutual Funds — A More Diversified Option

It would be difficult for an individual investor to own many shares of a variety of stocks. It might also be hard to pick which stocks to own. One way to get past this is for an investor to buy a share in a mutual fund, which is a pool of money from many investors. Mutual funds may invest in stocks, bonds or other securities, a combination of these, depending on the portfolio, or a selection of funds. Mutual funds' investments are outlined in the fund's prospectus.

In an actively managed fund, an investment adviser picks the stocks, bonds and other securities in which the fund invests. Their goal is to outperform a stock market index, such as the S&P 500, by performing investment research and analysis. However, the majority of managed mutual funds underperform the corresponding market index. An unmanaged fund, or an index fund, seeks to track the performance of a stock market index.

Another type of fund is a target date fund. This fund is managed with a specific time horizon in mind. Typically, the time frame relates to retirement dates—the further away you are from retirement, the more aggressive the fund choices. When retirement is closer, the fund will transition to less risky investments.

The Thrift Savings Plan is a collection of stock and bond funds, similar to a 401(k) retirement plan. Four of the funds (F, S, C and I) are index funds, while the G fund is a government securities investment fund. The last type of fund is a Lifecycle fund, which is a type of target date fund. The TSP offers additional investment options through its mutual fund window at additional costs and account requirements.

Mutual funds tend to be less risky than individual stocks, because they are more diversified—meaning they contain a mix of investments. However, they do still carry risk, because the shares can lose value if the underlying companies, or the market, face financial difficulties.

Mutual funds also have expenses and fees that can eat into returns, sometimes costing investors thousands of dollars over a period of ownership.

Actively managed funds are more likely to have higher expenses than index funds because of the additional investment research, and because they often experience more trades. Before you choose a mutual fund, analyze the mutual fund's expenses by using the Financial Industry Regulatory Authority's Fund Analyzer Tool and by reading the fund's prospectus.

ETFs — Another Way To Diversify

Similar to mutual funds, ETFs allow investors to pool their money when investing in stocks, bonds or other assets. However, ETFs differ from mutual funds in that they are traded on the national stock exchange at market prices.

As with all types of investments, make sure you understand the objectives, risks, costs and potential performance of ETFs before investing. You can learn all of that information and more by reading the prospectus, which you can locate through the Security and Exchange Commission's EDGAR system.

Protecting Yourself When You Invest

While all investments carry a certain amount of risk, savvy investors can protect themselves by following a few good practices:

- Know the signs of fraud before investing. The old adage remains true: If something sounds too good to be true, it generally is.
- Be aware of your risks as a service member. The military community is at a higher risk of experiencing affinity fraud, a type of scam that targets specific communities or groups. Check the credentials of any investment professionals before you work with them.
- Make an appointment with an accredited personal financial manager or counselor at your nearest Military and Family Support Center.

As you reach new milestones and complete your service's financial readiness training, look to the Office of Financial Readiness and your service for additional resources. You can also follow @DoDFINRED on Facebook, Twitter, Instagram and YouTube—and download our mobile app, Sen\$, for financial tips on the go. Find it in the Google Play and iOS app stores.



BONDS



MUTUAL FUNDS



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