

STARS  AND STRIPES®

# Financial Planning Guide 2020

February 13, 2020

**MONEY SAVING  
TIPS FOR YOUR  
MILITARY  
LIFE**

TOP SECRET TIPS FOR

**HOME  
BUYERS**

**CAN UNPAID  
DEBTS BE A  
CAREER  
KILLER?**

**WHAT ARE YOUR RIGHTS?  
MILITARY LENDING ACT**

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## Financial Planning 2020

You might be mission ready, but are you financially ready? Financial readiness is a critical part of your military life cycle. Making sure you know how your bills are going to be paid while you're deployed; setting your family up so they are covered in the event of an emergency; and maintaining good credit and healthy savings are all key to being financially fit. Protect yourself, save and invest in your future and achieve financial readiness, today.



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### 25 Money-Saving Tips

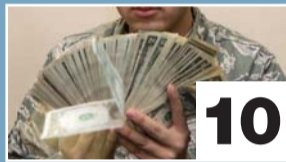
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## ARE UNPAID DEBTS A MILITARY CAREER KILLER?

By Holly Petraeus  
Consumer Financial Protection Bureau

**M**ilitary personnel who have trouble handling their personal finances can very quickly find their duty status, potential promotions and even military careers in jeopardy. And, over time, the lingering burden of debt can add stress to their personal relationships and damage their credit profile. But does that debt have to be a career-killer?

Servicemembers, veterans and military families have submitted more than 11,000 debt collection complaints to the Consumer Financial Protection Bureau since it began accepting them in July 2013. Among other things, it has received reports that some debt collectors are threatening servicemembers by claiming that they will report the unpaid debt to their commanding officer, have the servicemember busted in rank or even have their security clearance revoked if they don't pay up.

The threat of losing a clearance is a hot-

button item for servicemembers — and some debt collectors have been known to use that threat as leverage to get a servicemember to pay. Do they really have the power to get your clearance revoked?

Practically speaking, debt collectors aren't able to contact your security manager about your debts nor do they have the authority to influence the manager's decisions about your security clearance. However, your failing to pay your debts on time can result in negative information being reported to the credit reporting bureaus. And that negative information on your credit report may cause your security clearance to be pulled when it's up for review.

If you find that your finances have put your security clearance in jeopardy, you should do your best to show that your financial problems resulted from circumstances beyond your control (not a pattern of irresponsible behavior) and that you acted as responsibly as you could under the circumstances. This may include showing that you're currently

living within your means, that you're making a good-faith effort to resolve your unpaid debts, and that you're disputing debts that aren't yours.

When a financial problem arises, you should speak with your installation's Personal Financial Manager PFM and/or JAG office to get free, expert advice and assistance. Be sure to keep documentation of all your commitments, efforts to resolve delinquencies, and any disputes about debts — it could be helpful to you later.

If you do receive notice that your security clearance eligibility is being denied or revoked, Defense Department regulations give you the right to a hearing before an Administrative Judge of the Defense Office of Hearings and Appeals (DOHA). This hearing is your opportunity for a face-to-face meeting with an official, independent of your chain of command, to explain your situation

being treated fairly.

Be alert to the deadlines in the SOR process, seek expert assistance, ask for the opportunity to appear personally before a DOHA Administrative Judge, and bring whatever documentation and character witnesses you can.

A written transcript of your testimony and the testimony of any witnesses whom you bring to the hearing will be provided to you free of charge. That transcript, along with copies of any documents you submit (such as canceled checks, receipts, bank statements, tax returns, settlement agreements, character recommendations, etc.), and the Administrative Judge's recommendations will become a significant part of the record that is forwarded to the officials deciding your security clearance eligibility.

Check out the DOHA website for more information on hearings.

**The threat of losing a clearance is a hot-button item for servicemembers — and some debt collectors have been known to use that threat as leverage to get a servicemember to pay.**

and the steps you've taken to address the issues identified in a written Statement of Reasons (SOR).

According to the DOD, DOHA hearings are designed to be user-friendly. If you don't have an attorney, you can represent yourself or bring a non-attorney representative to assist you. DOHA hearings allow you to present any statements or documents that are relevant to your situation. In other words, the DOHA hearing is your chance to present your side of the story. It's there to make sure that your voice is heard and that you are

Managing your debts, expenses, income and other personal finance matters is more than just a tactic to guard your security clearance. It's also a day-to-day exercise that can help lead you and your family to financial security. If you need help planning, hit a bump or need assistance with a problem you can't fix along the way, there are a number of resources available to you.

Like your installation's PFM, the Department of Defense's Military OneSource offers free financial counseling that can help you better manage your money.



# 25 Money-saving Tips FOR MILITARY FAMILIES

Want to protect your hard-earned cash? Military discounts go a long way. Always ask retailers, restaurants, airlines, motels and other establishments, “Do you have a military discount?” Meanwhile, here are 25 other money-saving tips. Go ahead, wave your frugal flag.

## SAVE BIG WITH SPACE-A FLIGHTS

If you have flexible travel plans, you can save big money with Space-Available flights – formally known as Military Airlift Command or MAC flights.

Courtesy of Military OneSource

### SAVE AT HOME

#### 1 Do-it-yourself DIY repairs and maintenance.

Whether it's painting a room, doing yardwork or bathroom repairs, even those who are all-thumbs can pull these off. If you're already a DIY'er you can take on bigger projects. Check out servicemember deals at home improvement stores.

#### 2 Trade time/repair skill with a neighbor.

Swap services or trade time (a Saturday, for example) with a neighbor. You may know plumbing and your neighbor may be handy with a hammer. Trading time with a trusted neighbor can extend beyond home repairs to other ways to help — lawn, babysitting, etc.

#### 3 Use coupons.

Use coupons or join a coupon exchange for home services that require a pro.

#### 4 Shop garage/yard sales and second-hand stores.

You can get great deals on things like furniture, dishes and clothes.



### SAVE ON ENTERTAINMENT

#### 5 Think free outings.

Check out the local parks, memorials and art galleries. Take a picnic. Go on a walk, hike or stroll. Have kids? Take them fishing, skipping rocks or to playgrounds.

#### 6 Have a leisurely lunch.

Have lunch out and eat dinner in. Think mid-afternoon. Lunch often is cheaper than dinner. Or when you're out for dinner, split an entrée and each get an appetizer.

#### 7 Host a pot-luck dinner.

It's cheaper, you get a variety of tastes and you don't have to do all the cooking. It's also fun and social. Tip: Have everyone bring a specific or assigned dish.

#### 8 Seek discounts at amusement parks and museums.

Most offer military discounts. Google “military discounts at amusement parks” — you'll find a bunch, especially at the well-known ones. The same goes for museums. Better yet: Visit the Morale, Welfare and Recreation Digital Library available on Military OneSource to find a range of fitness, recreational and skills development programs, tickets and more — some at reduced rates.

#### 9 Shop online.

Sure, you're already doing it. But you can shop for just about anything online and compare prices. You can also look for online coupons.

## SAVE ON CLOTHES AND SCHOOL

### 10 Look for deals.

Shop at your military installation's commissary and exchange. Shoppers typically save more than 30 percent compared to shopping in town. Or shop at outlet and discount stores. Consignment and thrifts shops are good too. And look for deals online.

### 11 Stock up on basics during sales.

When you find good deals on socks and underwear, buy a few extra pairs to lock in the savings.

### 12 Get the most from your wardrobe.

Uniforms also can be worn off duty. Sticking to similar color combinations or buying clothes in neutral colors lets you do more with fewer clothes.

## SAVE WITH MILITARY TRAVEL DEALS

### 13 Visit national parks for free.

National Parks and Federal Recreational Lands Pass is your ticket to more than 2,000 federal recreation sites. A free annual pass is available for current U.S. military members and dependents.

### 14 Go camping.

It can be cheaper and more fun than hotels. If camping isn't your family's thing, pick kid-friendly hotels that don't charge extra for children.

### 15 Travel off-season, with a group or on a tour.

It's cheaper than going on your own or on-season

### 16 Use Department of Defense Lodging services.

Military families are eligible to use military lodging around the world, ranging from cottages on the beach to world-class resorts or recreational lodging facilities. Destinations include resort towns, big cities, oceanfront getaways, mountain top retreats and overseas locales.

### 17 Fly for free.

Servicemembers and family can fly free or at very low cost when space is available on military flights. Space-available Passenger Transportation, or Space-A Travel, can be tricky at times but can save you lots of money on flights.

## SAVE ON TRANSPORTATION

### 18 Walk, bike or use public transportation.

It's cheaper and healthier for you and the environment. If you can't, carpool.

### 19 Shop for car insurance.

If you must drive your own vehicle, compare rates online and consider a higher deductible on collision coverage if your car is older. While you're at it, keep your car maintained — and DIY, if you can.

### 20 Buy a used car.

A two-year-old car with some mileage can save you thousands versus a new car. Don't forget to have your mechanic check it out, however.

## SAVE ON UTILITIES

### 21 Do the basics.

Turn off the lights when not using them. Unplug computers, appliances, and charging cables when not using them. Visit the Department of Energy's Energy Saver website. Don't heat or cool rooms you don't use. Close your fireplace damper when not in use.

### 22 Insulate your attic or other unfinished spaces.

Use storm windows and weatherproof your home to reduce heat or cooling loss.

### 23 Watch the thermostat.

Setting your temperature between 68 and 72 degrees may be comfy, but it can kill your wallet. Set the air conditioner at 78 in the summer when home (consider running fans instead). Turn the heat to 64 or so in the winter and wear extra layers of clothes.

### 24 Double-check your cell phone and cable bills.

Make sure you're not paying for needless services. Also, bundle your phone, internet and cable, if you can. And watch your data use on mobile devices. That can break tight budgets.

### 25 Buy energy-efficient appliances.

Look for the Energy Star label.

These are just some of the ways to save. Remember to present your military ID card at your installation's Information, Tickets and Travel office for the best deals in and out of town.



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# A FINANCIAL GUIDE FOR PCS MOVES

Active-duty military personnel make permanent change of station (PCS) moves about every two to four years. To prepare for a life of moves, you need to know what to expect both before and after a move. That means asking a lot of questions, doing some research and planning, and setting aside funds for making a move.

First, decide if you are going to live in on-base housing, rent or buy a home. Before buying, ask yourself:

- Can I afford to buy a home?
- How easily could I sell a house in this area?
- What tax issues would I face if I sold my home?
- How easily could I rent my home?

Make sure you review what items the military will move, school transfers, car insurance, and the implications of moving with pets.

When your move is imminent, gather the paperwork and records you will need to take with you.

After you settle in, organize your receipts and submit all qualified expenses for reimbursement. Make copies of receipts, and note which moving expenses do not qualify for reimbursement but may qualify as deductions on your income taxes. When the reimbursement checks arrive, pay off any debts incurred in the course of your move and put any extra money away for your next move.

Determine how much the move cost you. Did you have enough in savings to cover expenses that were not reimbursed — or did you have to rely on credit cards or other loans? Establish a "Moving" file and include dated notes about what worked for you and what did not work for you during the latest move. As you come up with ideas about how to make future moves easier, file them as well.

If your spouse is not in the military and wants to work, find out what employment assistance programs the new base or post offers. Many installations have partnerships with employers in the local community and try to help place spouses. Some organizations even offer training programs, such as the FINRA Investor Education Foundation Military Spouse Fellowship Program, to help spouses update their work skills.

The last step is to create a moving fund and a long-term plan for your family's financial future.

— *Military.com*



## 12 Tax Tips

# MADE FOR MILITARY LIFE

*Courtesy of Military OneSource*

As a servicemember, the tax implications of combat pay, deployment or multiple moves can be daunting. However, free access to Military OneSource MilTax services – designed specifically for military life (MilLife) – can make tax time easier for you.

With MilTax, servicemembers have quick access to consultants who are experts in the tax code and how it applies to military life, as well as easy, secure and free tax preparation and e-filing software. Take advantage of MilTax services to save money and time this tax season.

### Tax Tip 1:

Gather tax documents first.

Before filing, organize paperwork and establish a specific place for all incoming tax documents, like W-2 forms, as they arrive in the new year. You may need to track down others. You'll also need Social Security numbers, birth dates and other information for everyone included in the return.

Not sure of all the documentation you'll need? Contact a MilTax consultant – they can help you figure out which documents you'll need to file for your specific situation.

### Tax Tip 2:

Contact MilTax for tax relief.

Stuck? Questions? Unsure of the next step? Let MilTax take the stress out of tax season. Military OneSource's tax consultants can answer your questions, and our free tax preparation and e-filing software makes filing your returns fast and simple.

### Tax Tip 3:

Get tax credits for your classes.

The IRS allows you to apply a Lifetime Learning Credit toward your taxes for approved post-high school education courses that lead to new or improved job skills.

For more information about the Lifetime Learning Credit and other qualifying education expenses, see the IRS article "Qualified Education Expenses" – or, contact a MilTax consultant about your specific situation.

### Tax Tip 4:

Take advantage of the Military Spouse Residency Relief Act.

Active-duty servicemembers have always been able to keep one state as their state of legal residency for tax purposes – usually their home of record – even when they move frequently on military orders. A state of legal residence is also considered their "domicile" or "resident" state.

Since 2009, when the Military Spouse Residency Relief act was signed, a nonmilitary spouse of a servicemember may also be able to keep their state of residency the same as that of the servicemember, regardless of which state they currently live in.

### Tax Tip 5:

Get automatic tax extensions when you're deployed.

When you're deployed, your service wants you to focus on your mission, not your tax forms.

Consequently, the IRS automatically extends tax deadlines for U.S. Armed Forces personnel deployed to a combat zone or in support of operations in a qualified hazardous duty area.

The deadline for filing returns, making payments or taking any other action with the IRS is also extended for at least 180 days after the last day of qualifying combat zone service or the last day of any continuous qualified hospitalization for injury from service in the combat zone.

### Tax Tip 6:

Exclude home sale profits from your taxes.

Many military families buy a home knowing they may have to sell it when their next PCS comes around. It's important to know about capital gains tax ahead of time.

If you make a profit from the sale of your main home, you may qualify to exclude up to \$250,000 of that gain from your income, or up to \$500,000 of that gain if you file a joint return with your spouse. This is called the Sale of Primary Home Capital Gain Exclusion.

To be eligible for this exclusion, most people must have owned the home for at



least two years and lived in that home for at least two of the last five years. However, servicemembers who have moved due to PCS, before being able to meet these requirements, may still qualify for a partial exclusion. In those cases, they may not be taxed with the total capital gain for the sale of the home.

**Tax Tip 7:**  
Report and claim casualty losses from disasters.

If you have property in an area determined by the president to be eligible for federal assistance – such as a region devastated by a hurricane or forest fire eligible for assistance from FEMA – you can claim unreimbursed expenses from casualty losses on your tax return.

If you are eligible to claim a loss on your tax filings, use IRS Form 4684, "Casualties and Thefts." Refer to IRS Publication 547 ("Casualties, Disasters, and Thefts") and Publication 584 ("Casualty, Disaster, and Theft Loss Workbook") for more detailed information.

Additional resources can be found on the

IRS website, and MilTax consultants can help you sort out your specific tax situation for free.

**Tax Tip 8:**  
Itemize non-cash charitable contributions like clothes and volunteer travel expenses.

If itemizing makes sense for your tax situation, know that clothing and other items donated to approved charities – listed with the IRS – as well as ingredients for meals donated to soup kitchens, can be deducted if you keep records. Many organizations that accept donations provide a list of recommended values for donated items based on their condition.

You can also deduct the costs of gas and oil that are directly related to getting to and from the place where you volunteer. If you do not want to figure your actual costs, simply deduct 14 cents for each mile instead. For 2018 taxes and beyond, changes were made to itemized deductions you can claim on Schedule A (Form 1040).

**Tax Tip 9:**  
Get special tax considerations for combat pay.

Combat pay is partially or fully tax-free. Certain servicemembers serving in support of a combat zone may also qualify for this exclusion. These areas currently include:

- Afghanistan
- Iraq
- Kuwait
- Saudi Arabia
- Oman
- Bahrain
- Qatar
- The United Arab Emirates
- The Kosovo area
- The Persian Gulf
- The Red Sea
- The Gulf of Oman
- The Gulf of Aden
- The Arabian Sea north of 10 degrees north latitude and west of 68 degrees east longitude

**Tax Tip 10:**  
Know about tax deductions for reservists.

Reservists whose reserve-related duties take them more than 100 miles away from home, each way, can deduct their unreimbursed travel expenses on Form 2106, even if they do not itemize their deductions. They can also deduct the purchase and upkeep costs of uniforms that

they can't wear while off duty, minus any allowance they receive for these costs.

Taxpayers can request a free transcript of tax returns covering the past three years. The Get Transcript tool on IRS.gov is the fastest way to get a transcript.

If you have any questions about special tax situations for National Guard or reservists, contact a MilTax consultant for a free consultation.

**Tax Tip 11:**  
Remember your retirement plan contributions.

An IRA or 401(k)-type plan might mean saving for retirement and cutting taxes at the same time. Servicemembers who contribute to a plan, such as the Thrift Savings Plan, may also be able to claim the Retirement Savings Contributions Credit.

**Tax Tip 12:**  
Find answers to common questions with official IRS resources.

Take advantage of the IRS's Interactive Tax Assistant to ask tax-related questions, and read the answers to others' questions. Specifically for servicemembers, IRS Publication 3, "Armed Forces' Tax Guide," details special tax situations for those serving in the Army, Marines, Navy, Air Force or Coast Guard.

Taxes are complicated. Remember that our free MilTax services – both our expert military tax consultants and e-filing tax preparation software – stand ready to make tax season easy for you. Call 800-342-9647.



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# TOP SECRETS FOR MILITARY HOMEBUYERS

By Karen Hall, Courtesy of Military.com

**M**aybe you've got new orders in hand, or maybe you're getting out of the military and looking for your forever home. No matter why you're in the market to purchase a home, the process can be nerve-racking and complicated – especially for first-timers.

As a military relocation specialist, I've learned a few secrets over the years that may come as surprises to new homebuyers.

## You get your 'earnest money' back

Your earnest money deposit, about one percent of the sales price in some markets, is the check you have to write when you submit your offer on the house. That money does come out of your bank account when your offer is accepted, but it just sits protected in the bank account of your escrow agent (most often your real estate broker, title company or settlement agency).

Change your mind about buying the home? You forfeit that earnest money if you just wake up one morning and decide you don't want the house anymore unless you are still under the protection of the typical contingencies such as financing, appraisal, home inspection, and review of association documents if the home is in a Homeowners Association or condo.

On settlement day that earnest money comes back to you as a credit, to the extent that if you are taking advantage of the VA 100% financing program, and you negotiated for the seller to pay all of your closing costs for you, you will be given that money back after closing.

## Your biggest closing cost expense when using your VA loan is the "funding fee."

The funding fee is a percentage of your loan



amount, and it varies based on several factors that I typically leave to a loan professional to calculate (active-duty vs Reserves/National Guard, whether or not you have used a VA loan before, and whether you are making a down payment). This funding fee can be paid in cash at closing, or you can "roll the fee" into your financing.

What lenders may or may not know to explore for you is a rule that waives that funding fee if you are receiving VA compensation for a service-related disability. Your disability should be noted on your Certificate of Eligibility.

## Hiring a Realtor helps – even if you're buying a new home straight from the builder.

Everything about buying a home from the builder is builder-friendly, and sales agents working for a builder will often advise against having an agent, to "save you money."

But when you hire a realtor, you're putting an expert in your corner. I have negotiated all kinds of discounts for my buyer clients, once had to get the Department of Veterans Affairs involved in some shady lending tactics, and recently threw my weight in when one builder wouldn't allow my buyers to attend their own home inspection. Builders really don't like having a realtor like me at the final walk-through inspection when I ask for the whole roll of blue painters tape reserved for identifying blemishes in the home. Do you know who benefits from that work? You, the buyer.

Not buying a new build? Having a professional representing, educating and navigating you through the whole process is still a good idea. Unless the home is "for sale by owner," hiring a realtor is typically paid for by the seller. I always say if someone else is going to pay for you to hire any doctor or lawyer you want for a critical situation, why wouldn't you pick the best one you can find?

Not all lenders are created equal when it comes to their level of actual knowledge and experience with VA loans. While many lenders are "military friendly," being military competent is totally different in my book. I have seen deals fall apart because "experts" didn't even know that your Basic Allowance for Housing (BAH) is based on where you are assigned instead of where you are looking to shop for your next home.

Your loan approval letter that you submit with your offer is one of the main factors a seller (and the listing agent) will consider in not only whether they will work with your offer, but how negotiable they will be on terms. Pre-qualification, qualification, pre-approval and approval letters all have different meanings to a listing agent (who is your gatekeeper to the seller), and so does the lending institution on the letterhead. Make sure you choose a lender who knows what they are talking about and is well-reputed in the marketplace where you are shopping.







# THRIFT SAVINGS PLAN

## What to know before you invest

Military.com

Before you invest in a Thrift Savings Plan (TSP), here are the questions you should answer for yourself.

### What are my retirement needs?

Think about the kind of life you expect to have in retirement, how long you expect to be in retirement, and what your income needs might be.

Start by estimating a percentage of your current annual income that you think might sustain you in your retirement years. Then determine the extent to which you expect to rely on your TSP account for that income.

Your TSP account may be your main income source or it may be one of several sources that could include a pension, an annuity, an individual retirement account (IRA), your Social Security payments, or other savings. You should consider all of your income sources when determining what role your TSP account will have in meeting your retirement needs.

### What is my time horizon?

Determine your time horizon, or how many years you'll have before you need to start withdrawing money from your TSP account. For example, if you are 35 years old today and you don't expect to start withdrawing from your TSP account until you are 65, your time horizon is 30 years.

If you have a longer time horizon, you may want to take more risk in your TSP account. Remember, your TSP account will need to provide income for you throughout all of your retirement years.

### How much risk am I willing to accept?

Think about the type of investor you are.

If you get anxious with every dip in the market, consider an investment, such as the G Fund, that places a higher priority on stability than on the opportunity to achieve significant long-term growth.

If you are willing to tolerate fluctuations in your account value in exchange for the possibility of higher returns over time, then consider introducing higher volatility funds, such as the C Fund, S Fund, and I Fund, to your retirement portfolio.

### How much risk am I able to accept?

If you are nearing retirement, you should think twice

before taking a lot of risk in hopes of earning bigger returns. What happens if the market turns against you just as you are approaching the time that you need to start withdrawing your money?

If you've just started your career, you have quite a few years before you'll need the money in your TSP account. You can let time work in your favor, allowing you to bounce back from any losses that you might experience in the short term.

### How much diversification do I need?

You've heard it before: Don't put all your eggs in one basket. By diversifying (spreading your money among different investments), you reduce the likelihood that your entire account will be severely affected by dramatic fluctuations in any single asset or fund.

Each of the TSP funds is diversified within its particular market segment. This reduces risk within each fund. For example, the C Fund is invested in an index fund that represents all of the stocks in the Standard & Poor's 500 (S&P 500) Index.

Each of the TSP funds tracks a different segment of the overall financial market without overlapping. For example, the C Fund tracks the performance of the largest U.S. companies and industries while the I Fund tracks the performance of major companies in the European, Australian, and Asian stock markets.

Diversification is important because, at any given time, prices can move in different directions and by different amounts. By investing in all segments of the market (such as Treasury securities, bonds, and stocks), as opposed to just one segment, you'll reduce the amount of volatility (risk) in your retirement account.

**By investing in all segments of the market you'll reduce the amount of volatility (risk) in your retirement account.**

Although diversification does not insulate you from losses on particular investments, it can reduce the risk of incurring large losses on your entire portfolio.

# Fight zombies and time travel

## THIS IS NOT HOW YOUR PARENTS LEARNED ABOUT MONEY



By Patrick Brick, Courtesy of Consumer Financial Protection Bureau

Are you tired of long lectures delivered with PowerPoint presentations? Do you wish there was training you could do on your own time, on your mobile device, when you have a minute or two at the airport or waiting in line to place a food order? Do you wish trainings were fun, engaging and taught you something valuable that you can use immediately when you finished?

Play Misadventures in Money Management (MiMM), a cutting edge, graphic novel meets choose your own adventure virtual learning experience that trains future and current servicemembers how to navigate financial landmines in a fun and interactive way. The program is available for use by all U.S. Armed Forces.

The Consumer Financial Protection Bureau's (CFPB) Office of Servicemember Affairs created a fun, gamified learning program that tackles tough financial topics such as consumer financial decision-making, choosing a financial institution, understanding protections under the Servicemembers Civil Relief Act (SCRA), avoiding impulse purchases, and understanding how debt can impact a military career.

The CFPB asked young servicemembers and military leadership what they wanted in a training about the tough topic of personal finances. They told us they wanted it to be fun, something they could pause but come back to when they have a few minutes. They also wanted to save the world from outer space alien invaders, fight zombies along the way, and see the consequences of their actions if they made less than optimal financial choices.

MiMM does all of that. By incorporating gamification throughout the program, servicemembers can have fun as they save the world from financial chaos. Try it today! Go to [MiMM.gov](http://MiMM.gov) and press PLAY to get started with your adventure. No need to sign in or provide any personal information, just start playing right now.

*The Consumer Financial Protection Bureau's Office of Servicemember Affairs has useful tools and resources for servicemembers, veterans, and military families. Whether you're a veteran shopping for a mortgage, or an active-duty servicemember thinking about consolidating your student loans, you can get answers at [consumerfinance.gov](http://consumerfinance.gov)*



# What is the Military Lending Act and what are my rights?

*Courtesy of the Consumer Finance Protection Bureau*

The Military Lending Act (MLA) is a Federal law that provides special protections for active-duty servicemembers like capping interest rates on many loan products.

What are my rights under the MLA?

**Answer:** The MLA applies to active-duty servicemembers (including those on active guard or active reserve duty), spouses, and certain dependents. It limits the interest rates that may be charged on many types of consumer loans to no more than 36% and provides other important protections.

Your rights under the MLA include:

- A 36% interest cap. You can't be charged more than a 36% Military Annual Percentage Rate (MAPR), which includes costs like the following in calculating your interest rate (with some exceptions):
  - Finance charges.
  - Credit insurance premiums.
  - Add-on credit-related products sold in connection with the credit.
  - Fees like application fees, participation fees, or fees for debt cancellation contracts, with some exceptions.
  - No mandatory waivers of certain legal rights. A creditor can't require you to submit to mandatory arbitration or give up certain rights you have under State or Federal laws like the Servicemembers Civil Relief Act.
  - No mandatory allotments. A creditor can't require you to create a voluntary military allotment in order to get the loan.
  - No prepayment penalty. A creditor can't charge a penalty if you pay back part – or all – of the loan early.

What types of loans are now covered under the MLA?

**Answer:** In 2015, the Department of Defense (DoD) expanded by rule the types of credit products that are covered by the MLA. In general, the consumer credit products now covered when offered to active-duty servicemembers and their covered dependents include, but are not limited to:

- Payday loans, deposit advance products, tax refund anticipation loans, and vehicle title loans;

- Overdraft lines of credit but not traditional overdraft services;
- Installment loans but not installment loans expressly intended to finance the purchase of a vehicle or personal property when the credit is secured by the vehicle or personal property being purchased; and
- Certain student loans.
- For credit cards, creditors didn't have to comply with DoD's new rule until October 3, 2017

What types of loans are NOT covered under the MLA?

**Answer:** There are some loans the MLA doesn't cover – namely, credit that is secured by the property being purchased and certain other secured loans. These loans generally include:

- Residential mortgages (any credit transaction secured by an interest in a dwelling), including financing to buy or build a home that is secured by the home, mortgage refinances, home equity loans or lines of credit, or reverse mortgages;
- A loan to buy a motor vehicle when the credit is secured by the motor vehicle you are buying; and
- A loan to buy personal property when the credit is secured by the property you're buying, like a home appliance.

If a loan does not comply with the MLA, can a creditor not give me the loan because I am an active-duty servicemember?

**Answer:** Generally, yes. If the loan exceeds the 36% interest cap or if the loan violates other provisions of the MLA, creditors that give you the loan could be subject to penalties under the MLA.

Contact your local Judge Advocate General's (JAG) office to learn more about lending restrictions and your rights as a servicemember. You can use the JAG Legal Assistance Office locator to find help. You can also ask your installations financial readiness office for information.

## TWO MORE STATES STOP TAXING MILITARY RETIRED PAY

*By Jim Absher, Courtesy of Military.com*

Indiana and North Dakota join the growing list of states that don't tax retired military pay, pushing the number of states on that list to 30.

Currently, 21 U.S. states exempt military retirement pay from taxes, while 13 states plus D.C. have some type of exemption for military retirees.

Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming do not have a personal income tax. Two others, New Hampshire and Tennessee, tax only dividend and interest income.

After Indiana and North Dakota end their taxation, only the following states will fully tax retiree income:

- California
- Montana
- New Mexico
- Rhode Island
- Utah
- Vermont
- Virginia

## States That Exempt Military Retired Pay Growing In Number

Many state legislatures have passed laws exempting military retirees from state taxes in recent years.

While some state's lawmakers argue for retirement pay exemption, since military retirees bring skills and earning potential to their states, others aren't so ready to give up the millions of dollars in tax revenue to bring a few more residents in. The lost revenue must be made up in other ways, leaving some states struggling to make ends meet.

However, for states seeking residents with above-average earnings, the 2.1 million military retirees are a prized group. Most are in their prime earning years and come with skills and earning potential. Military retirees are some of the best-educated, youngest, and best-trained retirees that states are seeking as future residents. Locales that can lure them into becoming residents stand to gain additional income from property taxes, sales taxes, and the taxable income these retirees will earn in their second careers.

## No Clear-Cut Benefit For States

The many studies on the economic benefits of cutting state taxes to lure retirees have produced conflicting results. States really can point to no clear-cut benefit for eliminating income tax on retirees. Often, the projected influx of veterans doesn't happen. Exempting military retirement from income taxes usually benefits current residents the most. Most potential residents choose their retirement location for other reasons including quality-of-life, earning potential, or family issues.

However, as a current or future, military retiree who doesn't mind relocating it may serve you well to take the state tax climate into consideration when you consider your second career and military retirement plans.

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# 6 WAYS TO SAVE THIS YEAR

The beginning of every new year is a time when many organizations focus on encouraging Americans to define their personal savings goals and make a plan to start, or increase, their saving habits. Whether you're new to saving or looking to add to your current savings goals, the following are actions you can take each day to strengthen your saving habits.

By Janneke Ratcliffe, Courtesy of the Consumer Financial Protection Bureau

## Monday SAVE WITH A PLAN

Most people know that the best way to achieve their goals is to plan ahead. A plan can help you reach your savings goals. Saving can be difficult, but it's worth it in the long-term.



## Tuesday SAVE AUTOMATICALLY

Now that you have a plan, a great way to make sure you're saving consistently is to do it automatically. If you have direct deposit, you may be able to arrange for a part of each paycheck to be automatically deposited straight into your savings account. This is a good alternative to remembering to deposit or transfer money into your savings account. You could also set up an automatic recurring transfer with your bank from your checking account to a savings or investment account.



## Wednesday SAVE FOR THE UNEXPECTED

The first thing you should prioritize—if you haven't already—is to establish an emergency fund. People often don't anticipate medical emergencies, natural disasters, or an expensive car or home repair, but these things happen.



## Thursday SAVE FOR RETIREMENT

Once you have money set aside for unexpected and emergency expenses, you might want to consider saving for longer-term goals, like retirement. It's important to start saving for retirement as soon as you can since your savings typically grow over time. Consider participating in employer programs, such as a 401(k) if available, and learn if you are eligible to receive an employer match, where your employer puts in some money in addition to your contributions.

If you're a member of the military, the Thrift Savings Plan (TSP) is the federal government's version of a 401(k) retirement plan. Though it's one of the best options for retirement investing, only half of servicemembers take advantage of TSP.

## Friday SAVE THE EXTRA

Tax season is coming up. It's a time when many Americans receive tax refunds and are deciding what to do with that payout. Putting some, or all, of your tax refund aside can jumpstart your savings goal and motivate you to keep adding to it.



## Saturday SAVE AS A FAMILY

Start talking to children about saving money. The Bureau's Money As You Grow resources include worksheets, activities, and other tips on how to help kids understand money and develop healthy financial skills. You might even want to consider opening a savings account for your kids.



Knowing that you're putting money aside can help to reduce the stress you may feel about your finances, and may lead to more financial freedom in the future as your savings grow. It also helps to ensure that unexpected expenses don't derail your financial plans. Whatever you're able to do, the most important thing is to just start saving. Will you commit to saving this year?

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# CAR BUYING TIPS FOR MILITARY PERSONNEL

By Ethan Ewing,  
Courtesy of Military.com

## The Bottom Line

Buying a car is a major investment. To get the best deal, military servicemembers and their families need to be well-prepared buyers, learn how to avoid scams and shady sales practices, and take advantage of the special offers and protections available to military buyers.

## Make a Budget

Getting a new car is exciting. Sometimes, the desire to get your dream car can lead you into paying more for a car than you should. Be sure that a car expense fits into your household budget. Account for all the costs that go into buying a car, including what you'll pay for maintenance, insurance, gas, and registration.

When negotiating the price of a car – don't focus just on the monthly payment. Of course you need to commit a monthly payment you can afford, but using that number as your negotiating point will get you into trouble. A dealer will simply extend the terms of the loan to lower the monthly, effectively keeping the total cost of the car the same or higher. In the worst-case scenario, you could be stuck making payments on a car that no longer runs.

## Pay Attention to Credit

Most vehicle purchases are financed. The most important factor affecting your ability to secure a low-interest rate on this loan is your credit score. Don't wait until you're ready to buy a car to pay attention to your credit. Check your credit regularly so you can take the right steps to improve your credit score. If you have bad credit, it may be wise to put off buying a car, or buying a cheap, used car as a stop-gap. Don't commit to a high-interest loan, such as the ones offered by "buy here, pay here" car lots.

## Shop for Financing

Decide on your vehicle-financing plan before you visit the dealer. Shop around for financing options before you arrive at the car lot so you can compare what the dealer offers with other offers you have received. Be sure to check with a local credit union or a lender that specializes in military car financing. And don't just get a quoted rate – you should also ask to see your credit score from anyone who pulls your credit. When you know your credit score before you visit the dealer, it helps you negotiate the best financing terms. Dealers confronted with a knowledgeable buyer will be less likely to take advantage of them.

## Price Shop in Advance

There is so much information available online today that there is no excuse for being ill-prepared when you first visit the car lot. You can find specific pricing information, including the manufacturer's suggested retail price and the dealer's invoice price, listed online at sites like [www.kbb.com](http://www.kbb.com). It is immediately obvious to a car salesperson if you are an informed buyer or not. The more up to date

you are on prices, the harder it is for a salesperson to overcharge you.

## Shop for Insurance

It is not only the price of the car and the car loan interest rate that you need to shop for. Make sure to comparison shop for your car insurance, too. There can be a wide price difference between one insurer and the next. Also, pay attention to the amount of coverage you obtain - don't buy more than you need. Inquire about any discount that could lower your premiums. Insurance companies commonly have discounts for drivers with clean accident records and for current customers for other types of insurance with the company. Military servicemembers may be eligible for discounts, too.

## Read Reviews

Be sure to read consumer reviews available online. Reviews can help you:

- Find the right car. You can read about the features of cars that interest you and see satisfaction ratings from car owners.
- Find the right car dealer. Check out the reputation of any car dealer you're considering at sites like the Better Business Bureau. You can also search for the name of the dealer and the word "complaint."

## Special Factors for Military Car Buyers

Military car-buyers must be extra cautious when securing an auto loan. Their special circumstances make them a prime target for both good and predatory lenders. Fortunately, there are also special resources for military servicemembers and their families. The Consumer Financial Protection Bureau recently opened the Office of Servicemembers Affairs (OSA). The OSA is an important tool to help you stay informed about your financial rights and to protect you from abusive practices.

When buying a car, the OSA says it is important to understand that:

- Lenders realize that your military service requires you to keep your finances in order.
- You're easy to locate, so it is easy to collect from you.
- You have a steady, reliable income that can be garnished if you don't pay as agreed.
- Many military car-buyers are first time buyers with

little experience making big financial decisions.

Further, the OSA recommends that you consider the unique risks that you face as military personnel when taking on a car loan:

- An overseas deployment or a change of duty stations can create financial stress and unique financial difficulties when you may lack the adequate resources to resolve them.
- Your loyalty to your service can make you a target for predatory lenders that emphasize their ties to the military.

## Use the Special Resources Available

As a member of the military, you may have access to some help that is not available to the general public. Take advantage of it. Speak with an on-base financial advisor or see if you are eligible for any of the resources available through Military OneSource. Before you sign it, see if an expert can review any sales contract a dealer presents you to ensure that you're not being taken advantage of or sold unnecessary extras.

## Action Plan

- Check your credit. Improve it, if needed. Use your knowledge to show you're an educated borrower.
- Comparison shop, not only for the car itself but also for the other products you'll need, including insurance and car financing.
- Read reviews so you find the right car at the right price and to avoid dealers with a bad reputation.
- Take advantage of any special offers for military members, as well as the resources available to you so that you understand your rights and how to protect yourself.



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