

STARS  AND STRIPES®

# Financial Planning <sup>2019</sup> *Guide*

February 14, 2019

## INSPECT YOUR TAX OPTIONS

WHAT EVERY  
SERVICEMEMBER NEEDS  
TO KNOW ABOUT TAXES

BUDGETING  
FOR BABY

**5** Money transition  
tips from a Marine  
turned financial CEO

HOW TO STAY FISCALLY FIT  
**DEBT-FREE  
DEPLOYMENT**

**MODERN MONEY MANAGEMENT**  
APPS AND ONLINE BANKING

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## FINANCIAL PLANNING IN 2019

At this point in your military career, being prepared is second nature. Each time your family is uprooted through a PCS, each time you report to your new job and each time you are called into battle; you are prepared. But are you prepared *financially*? Financial readiness should be an essential part of your life. How well you prepare now will determine how well off you'll be in the future.



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# WHAT I WISH SOMEONE HAD TOLD ME ABOUT MILITARY MONEY

I was pretty lucky when I entered the military. I had friends who commissioned before me who warned me that it could take a while for your pay to start. They told me to save money while I was still in college so that if I didn't get paid for a month or two, I'd be okay. I'm very grateful to them for passing on that information.

Unfortunately, there are a lot more quirks about money in the military that nobody warned me about. Here's what I wish I had known.

*Courtesy of Military Dollar*

## Your paycheck is going to be wrong

Most of us know it'll be wrong when you first enter the military, but it doesn't end there. It can also get messed up when you PCS, or when you get a raise, or when you get married, or divorced, or have a child, or when you deploy, or when it's Tuesday. Keep an eye on it and make sure it's right. The situation is not going to get better if you ignore it.

## Document everything

This is related to the above. If you think your pay is wrong, start printing out your leave and earning statements (LES) and highlighting what's wrong. But also mark down every time you talk to the Finance office or your supervisor about it. Keep every email. Establish a record that shows you tried to fix any errors.

This is especially important if the error is in your favor. When the government comes for the money – and they will always come for the money! – you want to be able to prove that you tried to fix it. They can and will try to take 100% of your paycheck to pay back money you owe the government. If you can prove you tried to fix it, they are more willing to work out a payment plan instead. I know this because when I was a lieutenant, they tried to take my entire paycheck for one and a half months. They only agreed to discuss a year-long repayment after I proved that I'd visited the finance office SIX times the previous year to try to fix the error.

## Completing a do-it-yourself (DITY) move is almost never worth the money

Unless you can fit everything you own in your car, it's usually not worth the hassle to move yourself. Sure, you might make a few hundred dollars. In exchange, you'll spend days stressing out, slicing your hand on the tape cutter, and popping Advil for the back pain.

Save yourself the trouble. Do a partial DITY for just the items you need with you or the ones that would cause grief if they were destroyed or lost. Let the government move everything else.

And while I'm on the subject of PCSing, here's a bonus tip from me: you are going to need a modem when you get to your new location, especially when (not if) your household goods are delayed in transit. Bring it with you – don't let the movers pack it. I've PCSed five times and I have five modems to show for it. At \$100-\$200 each, this is a really annoying expense that can easily be avoided.

## Take advantage of the hidden on-base benefits

I wish I'd appreciated on-base facilities more when I was new to the military. A lot of the benefits that used to be provided no longer exist on most bases (libraries, movie theaters with free popcorn, auto shops, etc). But there are still a lot of free or cheap things available on base.

Morale offices usually have heavily discounted

tickets available. These can be everything from half-price tickets, to theme parks, to free concerts in town. Your base chapel may put on retreats for single enlisted members. And you might not realize how good the prices are at the commissary, but go to a regular grocery store sometime and do a price comparison – it's a pretty big saving.

## Appreciate tax-free allowances

Very few other careers allow you to get paid with tax-free money. When you consider that housing, subsistence, and other allowances often make up 20% or more of your overall compensation, this is a huge financial benefit.

## There is a financial counselor available at most military installations

They are available free of charge. Seriously. Make an appointment.

## Civilians don't make more money than military members

Of course, some civilians do. But military pay is fairly average for Americans. There isn't the huge pay disparity that so many people would have you believe.

For one, you have to consider the full military compensation package. If you are only considering your base pay when you are comparing your pay to civilians, you are doing yourself a disservice. Civilians don't get separate pays for their housing and food, and they frequently have to pay all or part of their medical care. Those things alone add thousands of dollars to the comparison.

And if after adding that stuff in you still don't think our salaries compare, look at the median household (not individual) income in America. In 2016, it was about \$57,000. That's the equivalent of a single 8-year E-5 stationed at Nellis AFB, or a married with dependents first year O-1 at Fort Bliss. In other words, one military member can achieve the same income as the median American household by their mid-20s.

## 10% of a civilian paycheck isn't the same thing as 10% of base pay

This is related to the above comment

about needing to count your special pays and allowances when figuring out your compensation. If you are saving 10% of your base pay because you were told that's a good number to save for retirement, realize that advice is based on how civilians are paid. That is, it's based on having one lump sum paycheck, not lots of different types of pays and allowances. 10% of base pay might mean you are only saving 6-7% of your compensation. If you really want to follow retirement savings advice, bump it up!

## TDYs are a good deal financially – usually

Either you get paid to travel to a new location and can enjoy a nice mini-vacation basically for free, or you can save up your TDY money and get some extra money in your pocket. I've made some creative hotel room meals out of microwave mac and cheese.

Just make sure you are following the rules. If you think the military is going to pay for your upgraded rental car and the convenience of dropping it off with an empty tank, think again. It might be fun while it lasts, but you'll end up paying for that.

## Find the person who is 2-5 years ahead of you and drives an older car. Emulate him.

That's the person who is going to know about the Servicemembers Civil Relief Act (SCRA) benefits, and all the places in town with military discounts, and how to invest money properly. If the guy with 2 years in is driving a BMW, he almost definitely is not a good financial role model.

## Put 50% of every pay raise into debt payoff, savings, and/or investments

A consistent high savings rate is the best way to grow wealth. If you do that, you'll leave the military with plenty of money to start a new life worry-free. If you retire from the military, it might be enough to take that pension and your personal savings and never work again.

## Don't Buy That Car

Seriously. Don't do it.

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## SERVING UNCLE SAM: Tax Breaks for the Military

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**N**othing can make up for the hardship of serving in the armed forces. But the government does offer some special tax breaks so that soldiers don't have to add income taxes to their list of worries. If you serve in the military, here are some of the breaks that you might find helpful for your taxes.

### COMBAT PAY DOESN'T COUNT AS INCOME AND IS NOT TAXABLE

While you don't have to include combat pay as taxable income, it could provide a boost when figuring your Earned Income Tax Credit (EITC), which can reduce the amount of tax you owe and may even help you get a refund. By including combat pay when calculating the credit, you avoid reporting no earned income and not qualifying for the EITC. When you calculate the credit, you must include all or none of your combat pay in the calculation—you can't include just part of it.

If you are an enlisted member, warrant officer, or commissioned warrant officer, you can also exclude other items from your income for tax purposes, including reenlistment bonuses, pay for accrued leave

and student loan repayments.

### PENALTY-FREE RETIREMENT PLAN WITHDRAWALS

If you're serving in the military reserves, you might be able to take early withdrawals from IRA and 401(k) accounts without penalty. To qualify for this exemption, you must have been called to active duty after September 11, 2001 for more than 179 days, and you must make the withdrawal while you are on active duty.

### EXTENSION OF FILING DEADLINES FOR THOSE SERVING IN COMBAT ZONES

Members of the military serving in combat

zones get an automatic 180-day extension from the IRS for filing tax returns, paying taxes and filing refund claims. The automatic extension also applies to making qualified contributions to an IRA. However, this exception does not apply to Social Security and Medicare taxes.

### OTHER BENEFITS FOR SOLDIERS

Here are some other tax benefits for military personnel:

- **Maximum interest rate capped at 6 percent.** As a member of the military, you cannot be charged more than 6 percent a year on any money you may have owed the IRS

before you entered military service. The reduced rate applies only if your service materially affects your ability to pay and applies to the interest the IRS charges you while you are a member of the military.

- **Travel expenses for reservists can be written off.** If you are a member of the reserves and you travel more than 100 miles away from home in connection with your service, you can deduct your unreimbursed travel expenses on your return as a more generous adjustment to income rather than as an itemized deduction.
- **Moving expenses might be deductible.** You generally can deduct these expenses if you are a member of the armed forces on active duty and you move because of a permanent change of station.
- **Death benefits to survivors are not taxable.** Survivors of armed forces members who die while on active duty receive a \$100,000 tax-free death "gratuity" from the government. The gratuity is also paid to survivors of retirees within 120 days of retirement if the death is determined to be service-related.
- **Forgiveness of tax liability in the event of death.** Members of the armed forces who die while on duty in a combat zone or in support of a combat operation are forgiven any tax liability they may owe the IRS. If you already paid the tax, that amount will be refunded to your survivor.

### TAX PREPARATION FOR SERVICEMEMBERS

TurboTax now offers a Military Edition specially designed for members of the military and their families. We look for deductions specific to military families and walk you through military-related tax situations including state of residence, uniform deductions and PCS.

## MONEY MANAGEMENT & APPS

Courtesy of MilitaryConsumer.Gov

You have power when you know what your money is doing. Most banks and credit unions offer apps or ways to use your phone to track expenses, pay bills, transfer money, and set alerts to fight fraud.

### Tips

- Check the money management app's description to determine its features. Many include budgeting tools and bill pay options. Some apps require access to sensitive bank account information. To protect your account and your privacy, research the app developer and check reviews from several trusted sources before downloading.
- Does your bank or credit union's app
  - o set up alerts when bills are due or when you reach a spending limit you set?
  - o allow you to link your account with a partner or family member to give them access to pay bills or make deposits to your account?
  - o let you transfer money between accounts and to other people?
  - o analyze your spending and keep tabs on your budget categories?
- Do not set any of your devices to remember your

password. Enter it each time, or use thumbprint recognition. Use your bank's or credit union's security options, like two-factor authentication.

- "Peer-to-peer" payment services can be a convenient way to pay friends. But be aware that these payments may not come with the protections of credit cards or debit cards.
  - o Consider creating a pin to send a payment. Two-factor authentication requires you to enter a password plus something else — like a code sent to your phone — to prove it's really you.
  - o Know what permissions you've granted to the payment service. If it's linked to social media, it could broadcast your payment history to your social network.
  - o Setting up your payment account with a credit card could offer extra protections.
  - o If your phone is lost or stolen, treat it like you would a lost credit or debit card. Learn how to remotely cut off access to your account so someone else can't use it.
- There might be data costs for using the app, depending on your data plan.





# 10 MONEY MISTAKES THAT HURT NEW RECRUITS

Courtesy of USAA

Joining the military opens a wide world of opportunities. But those first few years in the service can put your budget through some grueling tests. Pitfalls wait around every corner and too many wrong moves could do irreparable damage to your financial future.

"Most new recruits are young, don't have money to burn and have relatively little experience managing their own finances," says Glenda Oakley, a USAA employee and former Army platoon leader. Oakley has seen their financial challenges firsthand, both on base and through 15 months in Iraq. "I tried to help my soldiers understand that the decisions they make now will stay with them their entire lives."

Oakley and USAA CERTIFIED FINANCIAL PLANNER™ J.J. Montanaro identify 10 money missteps that all new recruits and junior enlisted personnel should try to avoid.

## 1 Failing to Budget

"It's critical to live within your means," says Montanaro. "That requires sitting down and separating the things you want from the things you really need."

Oakley suggests setting aside a reasonable amount of "play money" at the start of every month, and using it to pay for non-essentials like entertainment or eating out. There's only one rule: "When it's gone, it's gone," she says.

Another important budgeting decision relates to where you live. Many junior enlisted want the freedom of living off-post, but it can be much more expensive than the low-cost housing and amenities available on base.

## 2 Buying Too Much Car

It falls into the budgeting discussion, but springing for a slick new ride is so common

among new recruits, it deserves a separate mention. While it may not impress your friends, a new economy car or a sensible used car can help you stay on solid financial footing.

Also, says Oakley, remember that you're buying more than a car. Shop around for your auto loan and insurance to make sure you're getting competitive rates. And don't be afraid to ask a noncommissioned officer for advice. "They're there to help," she says.

## 3 Putting Off Retirement Savings

For anyone just starting their career, retirement seems like a lifetime away. But taking advantage of the military's Thrift Savings Plan (TSP) from the very beginning could make it easier to build a nest egg for later in life.

"Even small contributions every month can start to add up over time," says Montanaro.

If you're deployed to a combat zone, don't overlook the Savings Deposit Program (SDP), a savings account that pays a 10% interest rate.

## 4 Blowing Your Bonus

Enlistment bonuses and other special pay just scream to be spent on a bigger TV or a new tattoo. But chances are you can think of a more responsible use of that money. One of these days, you'll thank yourself for paying off debts or setting aside a rainy-day fund.

## 5 Spending Money You Don't Have

The "I want it now" mindset is even more dangerous when you don't have the cash to pay upfront. Putting big purchases on credit cards, or worse, taking out a payday loan, can come back to bite you in the form of high fees, interest charges and mounting debt.

"Credit cards shouldn't be used to supplement your income," says Oakley. "If you do use them, pay them off quickly before the balance keeps growing."

## 6 Thinking Short Term

Learn to separate a good deal from a dud by looking at the total costs involved. Rent-to-own-furniture stores or promises of "no payments until 2015" might tempt you with low initial costs, but can nickel-and-dime your budget to death if you don't adhere to strict payment policies. As with any major purchase, if a deal seems too good to be true, it probably is.

## 7 Not Protecting Your Property

Even if you don't own a home, you likely have possessions (furniture, electronics and more) worth thousands of dollars, especially if you live off-post in an apartment.

"A lot of people are under the impression that their landlord covers their belongings if there's a fire or a flood, but that's not the case," says Montanaro. "An inexpensive renters insurance policy can help protect you from financial disaster if you have to replace everything you own."

## 8 Ignoring Your Credit Report

Once per year, take advantage of your right to get a free credit report at [annualcreditreport.com](http://annualcreditreport.com). Your report details your history of borrowing money and making payments on time. Correcting any errors on your report could save you money by helping you qualify for lower interest rates on loans or get approved for affordable housing. If you've had a troubled history of managing debt, now's the time to change your ways and improve your credit.

## 9 Opting Out of Life Insurance

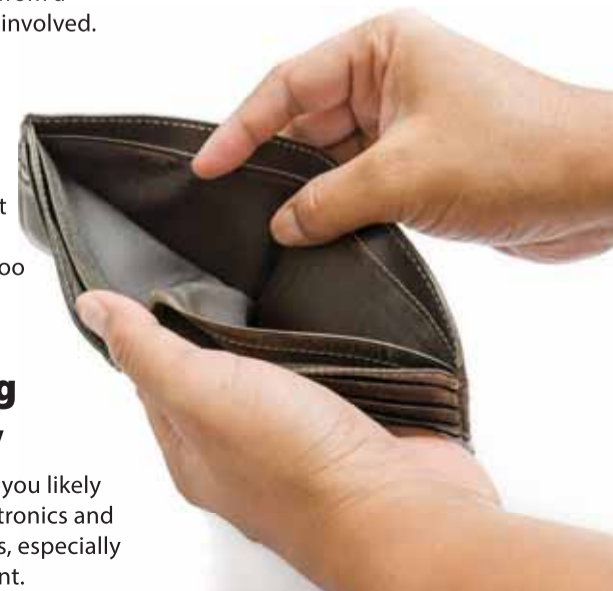
As a military member, you're automatically enrolled in Servicemembers Group Life Insurance (SGLI), unless you opt out. For young members without a family to support, saving some money by forgoing life insurance might seem like a good idea. But Montanaro says to think carefully before taking that route.

"Even if you don't need life insurance right now, keeping it can have benefits later on. If you interrupt your coverage, you could have trouble qualifying in the future, especially if you have a medical condition."

## 10 Flying Without a Parachute

Life is full of surprises, and they're not always good. A broken washing machine or a medical emergency could set you back hundreds or thousands of dollars. If you have no choice but to pay with credit cards, the expense could haunt you for years. A better way is to plan for these setbacks in advance, and set aside a financial cushion. Contributing a small amount to your emergency fund every month can add up quickly and help to ease the blow when trouble comes.

Living on a modest income, it's understandably hard to put aside funds for savings, insurance and debt reduction. But making sacrifices now is almost always better than paying the price later.



# Buying a home while being active duty

*Courtesy of MilitaryConsumer.gov*

Whether you are newly enlisted or have years of service under your belt, owning a home can be a great investment but it also can cause financial stress and difficulty if you have to move at a moment's notice.

## Tips

Keep your budget in mind when shopping for a property and a home loan. A few rules of thumb can help you get started.

- You may want to limit the cost of your home to 2 to 2.5 times your

annual income.

- For your mortgage, you should aim to borrow 50% to 80% of the value of your home at most, and your monthly payments should not exceed 35% of your income.
- You may be eligible for the VA Home Loans program. The Department of Veterans Affairs guarantees part of these loans, which allows the private lender to give you a better deal.
- These are guidelines – the details of your situation might differ and affect your choices.

Owning appears to cost less than renting but weigh the pros and cons of each.

- With renting, you:
  - can apply your Basic Allowance for Housing (BAH) to rent
  - aren't on the hook for major maintenance issues
  - are paying lower up-front costs
  - might have lower monthly payments
  - might be able to move more easily at a moment's notice. As a member of the military, you will get new orders and might have to leave quickly. If you own your home, a PCS could leave your house vacant and on the market for months or years, while you keep making payments. Renting out your home is an option, but being a landlord, while in the military, can be time-consuming, costly, and challenging.

- With home buying, you:
  - can apply your BAH to mortgage

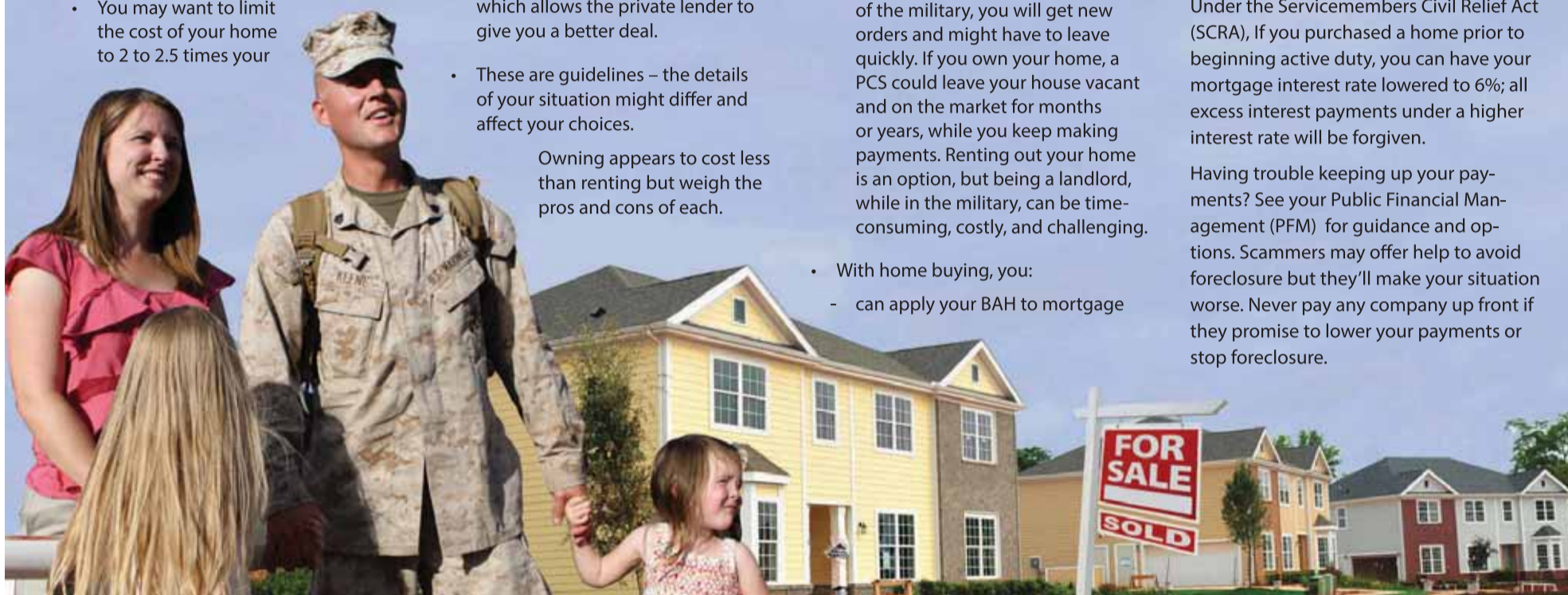
payments

- are responsible for maintenance.
- are tied to your mortgage payment, unless you can sell
- may get tax advantages

Military OneSource has several financial planning calculators that can help you assess your decision, including which types of mortgages may fit your situation.

Under the Servicemembers Civil Relief Act (SCRA), if you purchased a home prior to beginning active duty, you can have your mortgage interest rate lowered to 6%; all excess interest payments under a higher interest rate will be forgiven.

Having trouble keeping up your payments? See your Public Financial Management (PFM) for guidance and options. Scammers may offer help to avoid foreclosure but they'll make your situation worse. Never pay any company up front if they promise to lower your payments or stop foreclosure.



## STAY FISCALLY FIT DURING DEPLOYMENT

*Courtesy of Military OneSource*

Deployment can impact a household budget — it may mean a change in pay and a chance to get ahead financially, or you could incur some unusual expenses.

With a little extra effort, you can stay fiscally fit and maintain peace in your household budget. By paying attention to changes in your expenses and income, and following these tips, you can make sure a deployment doesn't throw your finances off track.

### Understand your entitlements

When you fully understand your deployment pay and entitlements, you'll know what you're working with when planning a budget. Check with your unit's administrative section to confirm what entitlements and compensation you'll be receiving, such as:

**Family separation allowance** — Servicemembers with dependents who are assigned away from their permanent duty station may receive this allowance every month.

**Combat zone tax exclusions** — If you're receiving hostile fire pay because of assignment to a combat zone, the pay will be tax exempt.

**Hostile fire or imminent danger pays (per diem)** — This is paid out for each day you're deployed for more than 30 days, based upon eligibility.

**Hardship duty pay** — This is a full rate month-

ly payment for any part of the month that is served fulfilling a specific mission.



### Preparing for fluctuation

In some units, deployments happen very quickly, which may cause your entitlements to fluctuate. Use these tips to keep from overspending.

Check your leave and earning statements regularly. Go to the MyPay website to make sure you're receiving what you should.

You may be entitled to other special duty pay. Your special duty pay should continue during the deployment. Be sure to check on this each month.

Be careful if you're overpaid. Because pay can change quickly, it's possible to get overpaid. If this happens, be swift in reporting it to your

administrative section and don't spend the extra money until you have confirmed that you are entitled to it.

Stick to your usual financial plan. Don't think of extra pay as extra money. Be smart. Keep your spending in check, and watch your savings grow.

### Before you deploy

New expenses that pop up before, during and after deployment can make your finances seem unpredictable. The following tips can help you keep things in order:

Set up an automatic payment to your savings. Money you don't see is money you won't spend. The Military Saves program can help you set savings goals, put them in writing and stick to them.

Put someone else in charge. Make sure your spouse, or a trusted friend or family member, understands your budget, and give them a checklist of your household bills and accounts (complete with account numbers, online login details and due dates). Also, your Legal Assistance Office can make sure you have the necessary powers of attorney in place should your spouse have to make a purchase on your behalf.

Don't overspend. Set a budget and avoid purchasing electronics, equipment and other things that you don't need. Try setting up a separate account for deployment spending so that if someone overspends or miscalculates, the damage is less likely to jeopardize your finances.

### Take advantage of extra savings

The Department of Defense offers unique savings plans during deployment. If you take advantage of these higher-rate savings, you can build a nice nest egg. Here are a few options:

**Savings Deposit Program:** Only available during deployment, the Savings Deposit Program has a high interest rate of 10 percent and is an excellent option for service members deployed in a combat zone.

**Thrift Savings Plan:** If you don't invest regularly in the Thrift Savings Plan, or TSP, definitely do so during deployment. You're not likely to miss the money coming out every month, and you'll enjoy the benefits later.

**Roth Thrift Savings Plan investments:** With the Roth TSP, participants have the option to invest after-tax dollars into their TSP accounts. Also, if you meet certain requirements, you may be able to withdraw your money tax-free, along with any earnings accrued.

**Military Star Card:** Your Military Star Card offers special lower interest rates during deployment. Make sure you or your spouse contacts Exchange Credit Services before deployment.

### Homecoming and overspending

Homecoming is always an exciting time for servicemembers. It can be tempting to overspend when you celebrate a return, so here are some ways to keep your homecoming debt free:

Set aside for a special occasion. Why not create a separate account just for special occasions? Even \$50 a month adds up and can help fund a great celebration.

Go to your installation travel office for special post-deployment deals. If you're planning a getaway with your family, be sure to inquire on special vacation or travel rates available for service members returning from deployment.

Shop at your installation exchange and commissary. Exclusive tax breaks and special sales can save you a bundle.



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# KNOW THE SERVICEMEMBERS CIVIL RELIEF ACT

The Servicemembers Civil Relief Act (SCRA) provides legal and financial protections to those who have answered the nation's call to serve.

*Courtesy of the Consumer Financial Protection Bureau*

## Introduction

The SCRA is a law created to provide extra protections for servicemembers in the event that legal or financial transactions adversely affect their rights during military or uniformed service. These protections enable servicemembers to devote their entire energy to the defense needs of the Nation. The SCRA applies to the following servicemembers:

- Active duty members of the Army, Marine Corps, Navy, Air Force, and Coast Guard;
- Members of the Reserve component when serving on active duty;
- Members of the National Guard component mobilized under federal orders for more than 30 consecutive days; or
- Active duty commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration.

SCRA rights may be exercised by anyone holding a valid power of attorney for the servicemember. Some SCRA protections also apply to dependents. According to the U.S. Department of Justice, these are five protections that servicemembers often ask about.

## PROTECTION #1 Servicemembers can reduce the interest rate on any pre-service loans to a maximum of 6 percent

If you took out an automobile, home, or student loan or incurred credit card debt prior to becoming a servicemember (also known as a "pre-service obligation"), or if you took out such a loan jointly with your spouse, then you are entitled to have your interest rate reduced to a maximum of 6 percent per year. To receive this benefit you must notify your lender in writing and include a copy of your orders to active duty service or a letter from your commanding officer that

shows the date you began active duty service.

The rate reduction for pre-service obligations applies during the period of active duty service for most loans and, for mortgages, for an additional year after the end of active duty service. When you make a proper request for an interest rate reduction under the SCRA, your lender must reduce your interest rate on pre-service obligations to 6 percent for the entire time you are serving on active duty. Your lender can't add the amount of interest above 6 percent back into the loan later on after you leave active duty. You can request an interest rate reduction from your lender at any time while you are serving on active duty and up to 180 days after release from active duty.

A lender can't revoke your loan or credit account, change the terms of your credit, or refuse to grant you credit just because you exercised your SCRA rights. In addition, a lender can't

furnish negative information to a credit reporting company just for invoking your SCRA rights. Remember, the SCRA requires your lender to reduce your interest rate in certain circumstances – but you still have to pay back your debts.

## PROTECTION #2 Servicemembers have some protections against default judgments in civil cases

If you are sued while a servicemember on active duty, you have certain legal protections under the SCRA. These include some protections from a default judgment in a civil action. A default judgment is a court order in favor of the party or "plaintiff" suing you when you did not appear or defend yourself against the lawsuit.

Some of your rights under the SCRA include:

- Before the court can enter a default judgment, the party suing you must file an affidavit with the court stating whether or not you are in active duty service, and provide facts in support of that statement. If the party suing you is unable to determine whether you are in active duty service, the affidavit must state that fact.
- If you are in active duty service and have not appeared in a case against you, the court may not enter a default judgment until after it appoints an attorney to represent you.
- The court also has to permit a delay of proceedings for at least 90 days if certain conditions are met.

## PROTECTION #3

**Servicemembers have special protections against foreclosure on their home**

If you took out a mortgage before entering active duty service, you can't be foreclosed on without a court order, unless you have waived your rights. This protection applies while you are on active duty and for an additional one year after leaving active duty. This protection also applies in states that do not require a court order to foreclose and whether or not you told your lender or servicer about your servicemember status.

Under this SCRA protection, a court may also on its own – and must upon request by a servicemember – pause or stay a foreclosure proceeding or adjust the loan, provided that the servicemember's ability to pay the loan is materially affected by his or her active duty service.

As noted in protection #2, the SCRA also provides servicemembers with protections against default judgments, which are rulings against a party to a lawsuit because he or she didn't appear in court. This protection applies to foreclosure cases before a judge.

## PROTECTION #4 Servicemembers have special protections against repossession of their property

In some circumstances, the SCRA prohibits creditors from repossessing your personal property, including your vehicle, without a court order. That means that even if you violate a contract by, for example, failing to make your monthly payments, the creditor must first file a lawsuit and get an order from a judge before your vehicle or personal property can be



**SCRA prohibits creditors from repossessing your personal property, including your vehicle, without a court order.**

repossessed. This protection applies only if you:

- purchased or leased a vehicle, or other personal property, before entering active duty service; and
- made a deposit or installment payment on a vehicle, or other personal property, before entering active duty service.

These federal protections under the SCRA are in addition to any other protections you might have under your state law. Even if you're protected by the SCRA from repossession without a court order, failing to pay your bills could result in violating your contract. As a result, you may be charged fees associated with your failure to pay, such as a late fee. Your missed payments can also be reported to credit reporting companies, and the creditor can try to collect the debt, including by filing a lawsuit against you.

Protection #5 Servicemembers may be able to terminate residential housing and automobile leases without penalty.

The SCRA provides servicemembers with the right to terminate residential leases of property that is occupied or intended to be occupied by a servicemember or his or her dependents. If you signed a lease for housing prior to active duty service, or if you're already serving on active duty and receive Permanent Change of Station (PCS) or deployment orders for a period of at least 90 days, then you should be able to terminate your housing lease without penalty.

To terminate your housing lease, you or someone exercising a power of attorney on your behalf must submit to your landlord a written notice of termination and a copy of your orders – or a letter from your commanding officer – by hand delivery, or by private carrier, or by regular postal mail with return receipt requested.

If your lease requires monthly rent payments, termination of a housing lease is effective 30 days after the first date on which the next rental payment is due and payable after the date on which the termination notice is delivered.

In addition to this right for residential leases, under certain circumstances, the SCRA also allows servicemembers to cancel or terminate an auto lease without paying early termination charges or penalties. In order to terminate an auto lease without penalty under the SCRA, you must have entered into the lease:

- Prior to entering active duty, and then been called onto active duty for 180 days or longer; or
- During active duty, and then received orders for:
  - a PCS from a location inside the continental United States (CONUS) to a location outside the continental United States (OCONUS), or a PCS from a location OCONUS to any new

location, or

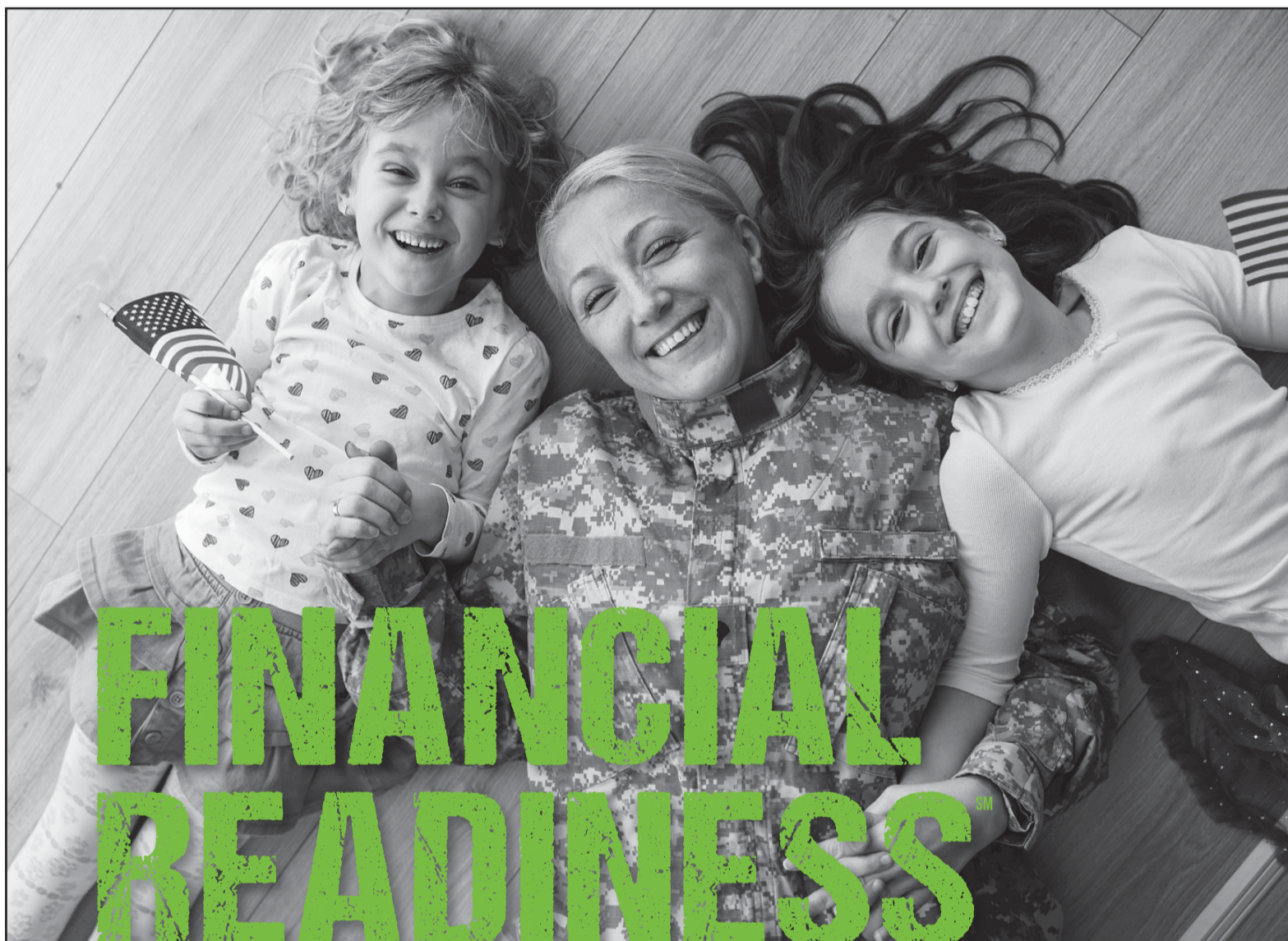
- deployment with a military or uniformed unit or in support of a military or uniformed operation for 180 days or longer.

Carefully read your lease terms and consider your situation before signing a contract. The SCRA does not allow you to terminate your contract if you receive PCS orders from one CONUS location to another CONUS location, so if you know you may receive those type of PCS orders, make sure your lessor will allow the vehicle you intend to lease to be taken out of state.



### Conclusion

The SCRA provides many legal and financial protections to enable servicemembers to focus on their mission with less worry about what is happening back home. If you have any questions about your rights under the SCRA, contact your closest military legal office for more information. You can find the closest military legal office at: [legalassistance.law.af.mil](http://legalassistance.law.af.mil). If you have financial challenges or questions before, during and after military or uniformed service, please visit our web site at: [consumerfinance.gov/3military-financial-lifecycle](http://consumerfinance.gov/3military-financial-lifecycle).



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By Patrick Brick and Patrick Campbell

It's not very much fun when you land at your first duty station with no groceries in the fridge, no idea where to get food to eat, and no car to get around. Asking for a ride can be a pain and many bases have limited public transportation options. If that sounds like you, you're not alone.

Many servicemembers buy or lease a car shortly after joining the military. Unfortunately, we hear from many servicemembers who didn't fully appreciate the woes of high rates and other unaffordable terms when they signed their auto financing contract.

Before you rush off to the nearest car dealer advertising "Military – low payments, no interest, or zero down," let us arm you with some basic car buying and car financing skills.

Here are some things you should know when you're thinking about getting a car.

### Shop for the best financing deal

You might think that the first step in buying a car is to go to a dealership. If you plan to finance your purchase, however, you may save money by making your first step to shop for auto financing. If you decide to finance your car, you may obtain better terms by considering several financing sources in addition to dealership financing.

Shop around for financing terms by contacting multiple banks and credit unions and compare these offers to what the dealership offers. Obtaining financing directly through your bank or credit union may get you lower rates, but is not a guarantee. It's possible you can qualify for an even lower rate if you have automatic payments taken out of your account. Automatic payments can help ensure your payments are made when due but it is still helpful to check statements regularly, when possible, to ensure proper payments (and not extra amounts) have been made. You should also ask about any military specific discounts that may be available.

Take the time to fully understand the terms, conditions, and costs involved in financing a car before you sign a contract. Know that the total amount you'll pay depends on several factors.

### Two important things that you should pay close attention to are:

1. Annual percentage rate (APR)
2. Length of the financing

### Annual percentage rate (APR)

It's important to consider the APR when comparing

auto financing offers. A lower APR will lead to significant savings in the long term. For example, a three-year \$15,000 financing contract with a 5 percent APR, and payments of \$450 monthly, would save you about \$500 overall compared with a three-year, \$15,000 contract at 7 percent APR.

To negotiate the best APR, it's wise to check your credit reports before looking into options. This information lets you assess how lenders are likely to view your creditworthiness. Make sure that your credit reports don't have any errors, and if they do, you should take steps to correct them. Errors on your credit reports can reduce your credit scores and can mean you get charged a higher rate or even have your financing application denied. Better credit will help you secure a lower rate and reduce the amount of money that you end up paying. Looking up your credit scores in advance allows you to research the average rate for someone with a similar score. You can use that rate as a basis to properly budget for a car you can afford.

### Length of financing

When comparing your offers and negotiating financing, it's important to know if you can afford the monthly payment, but be sure you look at the total cost of the financing. A smaller monthly payment may mean the financing extends over a longer period of time—72 months or more, instead of 36, 48, or 60 months.

Try to keep the length of your financing as short as your budget can afford. The sooner you're able to pay off the car, the less interest you'll pay. For example, you can see in the figure below how a lower monthly payment over a longer term increases your total cost. This example assumes \$20,000 financing and an interest rate of 4.75 percent.

You should still consider putting cash down when purchasing a car. Cash down helps lower your payment and lenders may provide lower rates depending on how much cash you can put down.

If you're going to get car financing, start by thinking through what you can afford, check your credit report, then shop around, paying attention to the total amount you will pay.

Learn more about auto financing and the car buying process at [www.FTC.gov/cars](http://www.FTC.gov/cars) and at [www.cfpb.gov/auto-loans](http://www.cfpb.gov/auto-loans).

Financing term	Monthly payment	Total interest paid
36 months (3 years)	\$597	\$1,498
48 months (4 years)	\$458	\$1,999
60 months (5 years)	\$375	\$2,508
72 months (6 years)	\$320	\$3,024



COURTESY OF THE U.S. DEPARTMENT OF JUSTICE

Scam artists who prey on members of the military and their loved ones have no shame. But there are ways to avoid getting ripped off by these heartless crooks.

### Never pay up-front to get a loan or a credit card

You may have seen advertisements promising easy access to loans, even if you have bad credit. These advance fee loan scams try to get you to pay for their help getting a loan, but once you pay, the loan never materializes. To steer clear of advance fee loan scams, watch out for loan brokers who promise or suggest that they can get a loan for you if you pay a fee first. Under North Carolina law, it's illegal for a loan broker to charge an advance fee to obtain a loan or a credit card for a consumer.

### Don't get taken for a ride

That vehicle looks great on the car dealer's lot and you know you'd look great behind the wheel. But when you go car shopping, don't be in a hurry. Pentagon officials have seen patterns of unfair business practices targeting military personnel buying cars. Make sure you're getting a fair deal, especially if you're buying a used vehicle. Research the car's history and get a mechanic to look it over before you sign anything. And remember, a used car is usually sold "as is." If it breaks down after you drive it off of the lot the dealer isn't responsible for fixing it.

### Watch out for people who try to exploit a military connection

Scammers are always looking for ways to get a potential victim to lower their guard. Some will try to gain your trust by claiming a connection to the military. Just because a business puts a military reference or term in its name doesn't mean it provides good service to military personnel. If someone seems to be using your shared military service to get you to purchase a product or make an investment, be wary. Don't let anyone exploit your patriotism or cause you to set aside your healthy skepticism about spending or investing your money.

### Avoid self-serving "Financial Planners"

Deployment pay... a reenlistment bonus... retirement pay. Any event that puts cash into the hands of a service man or woman represents an opportunity for an unscrupulous investment advisor. Despite recent crackdowns on companies that target members of the military for investments that carry high fees, military personnel remain at risk. Roth IRAs and the military's Savings Deposit Program are among the safest ways to protect your hard-earned dollars.

### Get insurance you need, not what someone wants to sell you

Some insurance agents try to use high-pressure tactics to maneuver military personnel into purchasing insurance they don't need. Agents are now barred from trying to sell insurance at mandatory-attendance meetings on base, and they can't use senior personnel to help them pitch their policies. But outside the gates, many insurance agents still try to convince service personnel to buy inappropriate insurance. Instead, max out your government-provided insurance. The Servicemember's Group Life Insurance (SGLI) provides outstanding insurance at a great price.

# 5 MONEY TRANSITION TIPS FROM A MARINE TURNED FINANCIAL CEO

By Sean Mclain Brown  
Courtesy of Securing Life Today

When Brandon Burton left the Marine Corps in 2006, bootstrapping his own consumer financial company was not part of his long-term plans.

Still, that's exactly what he did in 2013 to start his business Securing Life Today, a consumer financial services company that serves consumers and businesses.

"I've always wanted to do something that helped people, and I'm a self-starter and like working for myself, so it made sense to start my own company," Burton said.

With a bachelor's degree in business earned during his enlistment and experience working for as a financial adviser immediately after his discharge, he put up \$30,000 and founded his company, which competes with other budgeting and financial services firms such as LearnVest and Mint.com to help consumers stay on top of their accounts between visits with their financial advisers. He has since grown his company to include major

brand partners such as Discover Bank, TD Ameritrade, Credit Karma, Quicken Loans and Zillow.

"I'm helping people learn finances in a new and improved way that teaches the person how to do it for themselves using technology," Burton said. "Our technology provides people with the cheat codes to financial success."

Burton said his experiences as a Marine helped sharpen his discipline, likening a battle plan to sound financial planning.

"The skills I learned in the military helped me with discipline in my business. I'm more focused than I could have ever been, because of the military," he said. "It taught me routine and to analyze and assess things in a strategic manner. It taught me how to create a plan and how to most efficiently accomplish that plan."

But starting his company was not without its challenges, and Burton learned more than a few good tips for service members transitioning out of the military and into civilian life.



From combat to CEO, how Brandon Burton built his financial services company. (photo by Brandon Burton)

## BRANDON BURTON'S ADVICE:

- 1 Consider rolling over your credit card debt.** If you have credit card debt and good or decent credit, and you want to pay off your debt faster, consider rolling over your credit card debt to a new card that will provide a 0 percent interest rate (usually for 12 months). You'll be able to pay off the principal much faster.
- 2 Set up an automated budget.** It's much easier when you have technology doing the work than to have to seek out the information. Consider a financial dashboard such as Securing Life Today.
- 3 Keep a VA loan eligibility certificate on hand.** If you are looking to purchase a house, make sure to get your Certificate of Eligibility (COE), which lets lenders know you are eligible for a VA-backed loan. You can also re-qualify for a VA loan more than once if you paid back the first loan in full and in good standing.
- 4 Have good document habits.** Create an updated will, make sure your beneficiaries are updated and all your insurance documents are organized and in order. Tools such as Securing Life Today's money tool have a secure place to store important documents for simplicity and ease.
- 5 Make sure you are adequately covered with life insurance.** Sometimes it's hard for military members and veterans to get additional life insurance, but there are many companies that work with the veteran community. Tools like those in Burton's Securing Life Today let you quote and apply to veteran-friendly insurance companies online.

## FREE AND DISCOUNTED TAX PREPARATION FOR MILITARY



By Heather Sweeney  
Courtesy of Military.com

Tax season is here again. And while filing for tax returns can be tricky for the average family, it can get even more complicated for military families.

Thankfully, military personnel and their families have access to a variety of tax preparation and filing services for free or

discounted prices. Whether you choose to file taxes yourself online or you prefer some outside assistance from a trained professional, there are several free and discounted options to choose from.

### Military Installation Tax Centers

Most large military installations worldwide offer service members and their families free income

tax filing assistance through the Volunteer Income Tax Assistance (VITA) program which is sponsored by the IRS. VITA sites have volunteers that are trained by the IRS to provide assistance with some of the more complicated military-specific tax issues, such as combat zone tax benefits.

Visit Military.com's Base Guide to contact your local installation for more information about the location of tax centers, hours of operation, scheduling appointments, and necessary documentation.

### Off-Base Services

Liberty Tax Service offers Military.com members a new customer discount of \$50 off income tax preparation.

### Online Tax Preparation

Military OneSource provides free tax preparation and e-filing software, easy access to tax consultants and free in-person tax preparation through approved Volunteer Income Tax Assistance offices. MilTax, Military OneSource's free tax services, provides easy-

to-use software that is designed specifically for the military community that can be used from mid-January to mid-October.

IRS Free File Software allows you to prepare and file your federal individual income tax return for free using tax-preparation-and-filing software. If your income is below \$66,000, you can file your taxes with free software and find free state return options. Use Free File Fillable Forms if your income is greater than \$66,000. Free File software opens in January 2019.

TaxSlayer has a military offer that allows active duty military to e-file a federal return for free. (State return is additional.)

TurboTax offers discounts on its software for active duty military. Service members with pay grades of E1-E5 can get free federal and state filing with Free Edition or Deluxe or a \$5 off discount or more for Premier, Self-Employed, and TurboTax Live federal products. E-6 and above get a \$5 off discount or more on all TurboTax federal products.

### Necessary Documents

Filing your taxes requires a lot of documents and personal information so make sure to collect everything you'll need before you get started. The following is a list of some of those necessary records, but if you're getting outside help, it's best to call ahead to make sure you're not forgetting anything.

- Photo ID/Military ID
- Social security cards for you and each family member claimed on the return
- Wage and earning statement(s), such as Forms W-2, W-2G, and 1099-R
- Child care costs
- Investment income forms
- Receipts for charitable donations
- Receipts for deductible expenses
- Your bank routing numbers and account numbers for direct deposit
- Last year's returns

W-2 forms are usually available for military members by the end of January and can be downloaded from MyPay website.



# BUDGETING FOR BABY

Courtesy of USAA

**Y**ou may have to spend your money in different ways once your new bundle of joy comes along. But a little planning can help you maintain financial security as your family grows.

Denise Dorman has a two-word explanation for why she didn't do much financial planning before the birth of her son, Jack, and it's not "morning sickness." "Hurricane Ivan," she says.

Denise and her husband, Dave, had half of their home destroyed in September 2004, a month before she was due. "So we just sort of winged it," says Denise. "Budgeting? At that point, we didn't." After a near-miss from Hurricane Dennis the following summer, the couple moved from Florida to hurricane-free Geneva, Ill. But Mrs. Dorman, a public relations consultant, and her husband, an artist, still struggle with post-partum finances. The biggest shock: day care costs. "It's much more expensive than we thought it would be," Denise explains.

Most couples can't claim a hurricane as an excuse for not planning. Even if parents try, it's tough to come up with an actual figure for what they'll spend on each new baby. In 2015, The U.S. Department of Agriculture reported that raising a child from birth through age 17 costs the typical middle-income, two-child family \$233,610 (in 2015 dollars).

Diapers and day care are just the beginning. Expectant parents also must budget for life insurance - the foundation of any financial plan. And they should think about saving for their child's college tuition, without compromising retirement savings. Phew. Now, that's a lot to consider.

But take a deep breath. A few smart steps can get your finances in order and let you concentrate on your little one.

**A trial run** long before the due date, take a good look at how your baby will affect everyday living expenses. If you and your mate are unfamiliar with the price of day gowns and diapers, stroll through a baby store or two - and take notes.

Buying disposable diapers instead of cloth may be worth

it to you, but expect to spend a total of \$1,500 to \$2,000 until your child is potty-trained, according to Consumer Reports. The cost of formula, if you use it, adds up quickly, too. "Store-brand formula is almost identical to brand-name, but half the cost," says Financial Planner Sean Sebold.

Next, redo your annual budget to include the new line items. That exercise can help you figure out if you need to cut spending in other areas.

If one parent is thinking of leaving the workplace to care for the baby at home, experiment with living on one income to see how feasible it is. "See what it feels like - the earlier the better," says Financial Planner Dianne Nolin. Sock the second income into savings for child-related expenses.

**Baby-clothes bonanza** It's fun to buy new hoodies and onesies, but the Financial Planning Association recommends investigating hand-me-downs, consignment shops and garage sales. Denise Dorman is a regular on eBay, where she finds box loads of gently used and quality children's clothes for a few dollars.

Ask gift-givers for items you really need, suggests Dianne. Otherwise, you're likely to be overwhelmed with newborn outfits that are outgrown in a few weeks.

**House notes** Beyond expenses for the crib and any decorating you might want to do in the nursery, think twice before buying a new home for your growing family. You may find yourself baby-rich and house-poor like Lisa and Luis Rivero.

The 32-year-old professionals rented an upscale but affordable apartment in downtown Boston before buying a home in Ipswich, Mass., a few weeks after their first child was born. Unexpected repairs and maintenance robbed them of their savings. "Now we live paycheck to paycheck," Lisa says.

You can save on housing by moving, but not necessarily to heavily populated areas in the Northeast or out West. Child-rearing costs are lowest in the Midwest and South, according to the U.S. Department of Agriculture, largely because of lower housing expenses.

Not moving at all might have been better, at least for a while. Mrs. Rivero wishes they had rented for another year.

**Hot wheels** Contrary to popular belief, you don't really need a minivan or sport utility vehicle to parent properly. Lisa regrets trading her paid-for sedan for a luxury SUV just before gas prices soared. "I would return it to the dealer in a heartbeat," she says.

**Day care solutions** Perhaps the most meaningful financial assistance grandparents, other relatives, and friends can give is volunteering to baby-sit. "That's very helpful, particularly when the baby's young," says Park Ridge, Ill. Financial Planner Terry Gaertner. "You have to develop some sort of support system for baby care."

For those without this system, here's a tip from the Financial Planning Association: If your employer offers a flexible spending account, you may be able to use it to pay up to \$5,000 in child-care expenses using money exempt from income taxes.

**Bye-bye to brand names** Perhaps you can afford that designer diaper bag, but if it's a stretch, one from the discount store might have to do.

Your baby won't know the difference between top-of-the-line baby blankets and less expensive, quality ones that feel just as snugly.

**Look ahead to higher education** If you start planning for college in the delivery room, you won't be jumping the gun, Dianne Nolin says.

The College Board estimated that the average cost of tuition and fees for the 2018-19 school year was \$10,230 for a public college, up 2.5 percent from the previous year. By the time your baby is a freshman, who knows what tuition, room and board, and books will cost?

Financial aid and part-time jobs may help your child pay for college, but if you want to contribute, experts suggest 529 college savings plans and Coverdell educational savings accounts.

For now, college is far from Denise's mind. But the good news is that the financial sacrifice, even the day care cost, is worth it. "My son is thriving," she says.



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