STARS AND STRIPES®

2018 Financial Planning Guide

February 15, 2018

ARE YOU PREPARED?
RETIREMENT PLAN CHANGES TO CONSIDER

THE NEW TAX LAWS
AND HOW THEY IMPACT MEMBERS OF THE MILITARY

REDUCE YOUR DEPENDENCE ON
CREDIT WHILE IN THE MILITARY

THINKING ABOUT BUYING A HOME THIS YEAR?
LET'S MAKE A PLAN

AN ADVERTISING SUPPLEMENT TO STARS AND STRIPES

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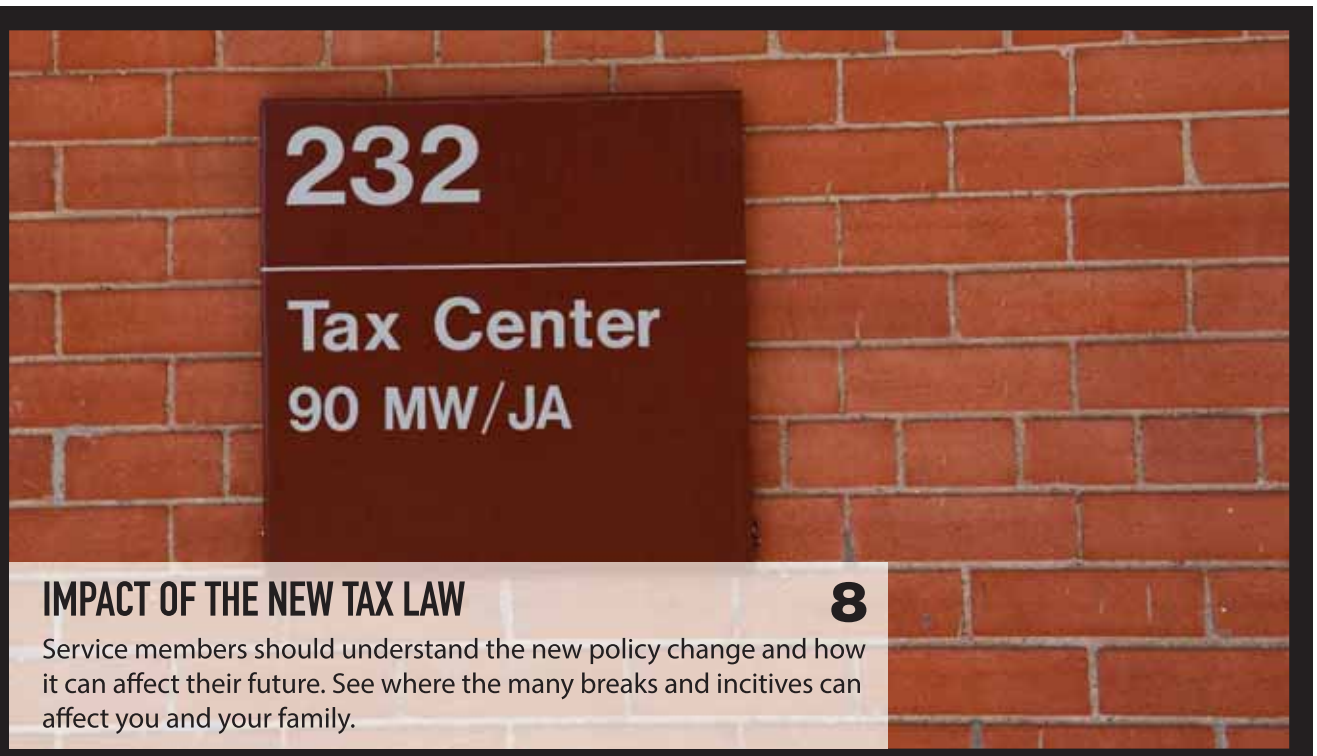

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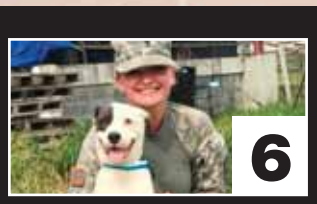

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HOW TO FINANCIALLY PREPARE FOR A LIFE OF MOVES

Active-duty military personnel make permanent change of station 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 or if you will 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

BUYING A HOME? THE FIRST STEP IS TO CHECK YOUR CREDIT

By Erica Kritt
Consumer Financial Protection Bureau

Research shows that people who plan carefully for big purchases like a home are less likely to run into financial trouble later. So if you are thinking about buying a home this year, let's make a plan. The first step: Check your credit.

It's always a good idea to review your credit reports and scores periodically, even if you're years away from shopping for a home and a mortgage. If you're planning to buy a home this year, we recommend checking your credit reports and scores as soon as possible.

The better your credit history, the more likely you are to receive a good interest rate on your mortgage loan. Lenders will use your credit reports and scores as important factors in determining whether you qualify for a loan and what interest rate to offer you. If there are errors on your credit report, you may have trouble qualifying for a loan. So, don't delay in checking your credit. Review your credit reports and take steps to fix any errors.

It's the first step to building a strong financial foundation for your new home.

CREDIT BASICS

A credit report contains information about your credit such as the status of your credit accounts and your payment history. Credit reporting companies (also known as credit bureaus or consumer reporting agencies) compile these reports. Credit scores are calculated using a mathematical formula — called a scoring model — that companies and lenders use to predict how likely you are to pay back a loan on time. Your credit scores are calculated from the information in your credit report.

Here's a step-by-step guide to getting, reviewing and understanding your credit reports.

1. Request your free credit report online or over the phone.

There are three major credit reporting companies – Equifax , Experian , and TransUnion. Each company maintains a separate report. You have the right to a free copy of your credit report once a year from each of the three companies at www.annualcreditreport.com . You can also call 877-322-8228.

If you review your credit report from one of the major companies every four months, you can get a good idea of your credit throughout the year at no cost. However, if you are planning to start the homebuying process within the next six months to a year, you may want to request and review all of them at once to check for errors or issues. Checking your credit report will not hurt your credit score.

2. Review your credit report.

Once you get your credit report, you will want to review it carefully. Ordering it is not enough – you have to read it. Credit reports may have mistakes. And if there are mistakes, you are the one who is most likely to find them. Incorrect information can appear on your report because the credit bureaus processed the information incorrectly or because lenders or debt collectors sent flawed information to the credit bureaus or did not update the information they previously reported. Incorrect information may also be a result of fraud, such as when someone uses your identity to open accounts or takes on debt without your knowledge. You should review your credit report for any errors or fraudulent activity.

When you review your credit report, look for:

- Incorrect first and last names
- Addresses of places where you did not live
- Names of employers you did not work for

Review each account listed on your credit report. If you see any of this information, highlight it:

- Accounts you don't recognize
- Accounts that are listed twice
- Accounts that have been closed but are listed as still open
- Incorrect current balances
- Incorrect negative account information, such as late payments and missed payments
- Negative account information, such as late or missed payments, that is more than seven years old

Check the credit inquiries section of your credit report:

- Look at the section labeled "inquiries that may impact your credit rating" or "inquiries shared with others." Are there any companies listed that you don't recognize? This section should include only companies you have applied for credit with in the past two years.
- Inquiries listed in sections labeled "inquiries shared only with you," "promotional inquiries" or "account review inquiries" do not impact your score.

Check the "negative information" section:

- Are there accounts placed in collection that you don't recognize or that are more than 7 years old?
- Are there public records such as civil lawsuits, judgments or tax liens that you don't recognize or that are more than seven years old?
- Are there bankruptcies that are more than 10 years old?

3. Report any errors, fraudulent activity or outdated information.

If you find errors or fraudulent activity after your review of your credit report, you have the right to dispute inaccurate or incomplete information. Keep in mind that there's a difference between inaccurate or incomplete information and negative but accurate and complete information. Both can lower your credit score, but a credit reporting company will correct only information that is inaccurate or incomplete or outdated.

To dispute an error, you should contact both the credit reporting company and the company that provided your information to the credit reporting company. For example, if you review your report and find a listing for a student loan you never took out, you should contact both the credit reporting company that provided the report and the student loan company listed. Be sure to include supporting documentation with your disputes to both companies. The companies must conduct an investigation and fix mistakes as needed.

The three major credit reporting companies provide instructions for filing a dispute online: Equifax, Experian and TransUnion. You can also submit a dispute by phone or paper mail. The Consumer Financial Protection Bureau provides a sample dispute letter that you can use if you want to submit your dispute by mail.

No matter how you submit your dispute, make sure to include:

- Your complete name
- Your address
- Your telephone number
- A clear description of what you are disputing (e.g., wrong name, not my account, wrong amount, wrong payment history)
- If you are disputing something about a specific account, a clear description of which account, including the account number if possible
- Copies of any documents you have that relate to the inaccurate or incomplete information

Beware of any service that says it can dispute inaccuracies for a fee. You have a legal right to dispute inaccuracies yourself at no cost. If you find an error on one of your credit reports, check your credit reports from all three reporting agencies. Lenders operate differently from one another, so while one may pull your Experian report, another might pull your TransUnion or Equifax report. It's important to make sure they're all accurate.

If you find outdated negative information on your credit report, contact the credit reporting company and ask that it be removed. Bankruptcies are considered outdated if they are more than 10 years old. Most other negative information is considered outdated if it is more than seven years old.

YOUR CREDIT SCORES

A credit score is a number based on information contained in your credit report. You don't have just one credit score. There are many credit scoring formulas, and the score will also depend on the data used to calculate it.

Different lenders may use different scoring formulas, so your score can vary depending on what type of score the lender uses (a mortgage score or an auto score, for example). Today, most mortgage lenders use a FICO score when deciding whether to offer you a loan and in setting the rate and terms. Your FICO score will differ depending on the credit bureau and FICO scoring model your lender uses – so you have an Experian FICO score, an Equifax FICO score and a TransUnion FICO score. Also, be aware that your score changes as the information in your credit report changes.

Different scoring formulas may come up with somewhat different numbers for your credit score, but they are all based on the same key information:

- Your payment history: How you've handled loans and credit cards. This category includes details about whether you've made payments on time, missed payments or had accounts in collection.
- How much you owe: The amount of debt you're carrying compared to your available credit line or the original loan balance.
- Length of credit history: How long you've been borrowing money.
- Credit mix: Your history managing different types of loans.
- New credit: How many accounts you've applied for or opened in the past six to 12 months.

Most FICO scores range from 300-850. A higher score makes it easier to qualify for a loan and may result in a better interest rate. The best rates go to borrowers with credit scores in the mid- to high 700s or above.

HOW TO GET YOUR CREDIT SCORE

There are several ways to get a credit score, some of which are free. When choosing how to get a score, pay attention to the fine print about how the score is calculated. Some companies that offer credit scores use different scoring models than lenders use. Here are four ways to get a score:

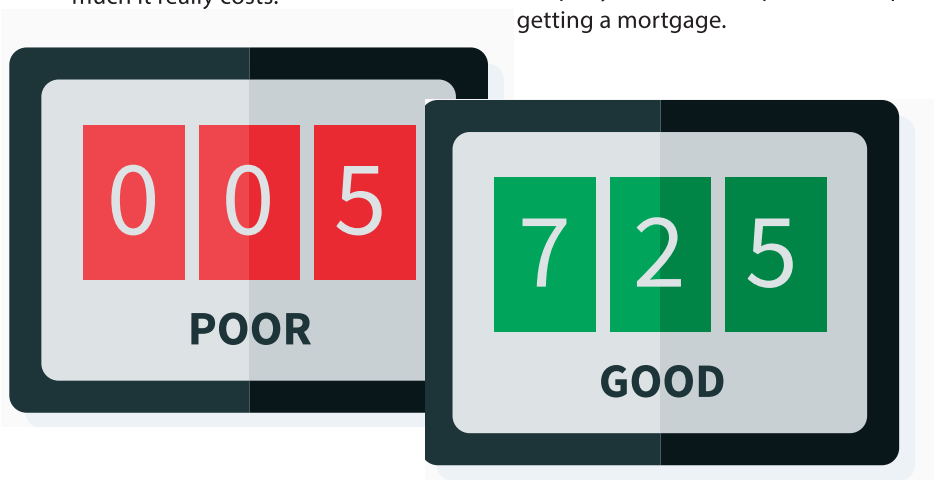
1. Check your credit card or other account statement (free). Many major credit card companies and some banks and credit unions have begun to provide credit scores for all their customers on a monthly basis. The score is usually listed on your monthly statement or can be found by logging in to your account online.

TALK TO A NONPROFIT COUNSELOR

Nonprofit credit counselors and **Department of Housing and Urban Development**-approved housing counselors can often provide you with a free credit report and score and help you review them. A counselor may also be able to help you with the homebuying process.

2. Buy a score (comes with a fee). You can buy a score directly from the credit reporting companies. You can buy a FICO credit score at myfico.com. Other services may also offer scores for purchase. If you decide to purchase a credit score, you are not required to purchase credit protection, identity theft monitoring or other services that may be offered at the same time.

3. Credit score services (can come with a fee). Many services and websites advertise a "free credit score." Some sites may be funded through advertising. Other sites may require that you sign up for a credit monitoring service with a monthly subscription fee in order to get your "free" score. These services are often advertised as free trials, but if you don't cancel within the specified period, you could be on the hook for a monthly fee. Before you sign up for a service, be sure you know how much it really costs.



IF YOU HAVE A LOW CREDIT SCORE

Borrowers with credit scores in the mid-600s range and below generally pay the highest rates and have the fewest choices. Borrowers in this range may have trouble qualifying for a loan, depending on the loan type and the specific lenders. If your score is in this range, you may want to meet with a housing counselor and explore your loan options to decide whether you want to go ahead now or work to improve your credit before applying for a mortgage.

In 2013, only 4 percent of homebuyers taking out a mortgage had scores of less than 620. The loans available to borrowers with credit scores of less than 620 often have very high interest rates and risky features. If your score is in this range, you may want to improve your credit before applying for a mortgage. A nonprofit credit counselor or HUD-approved housing counselor can help you make a plan to improve your credit.

If you are looking to improve your credit, beware of anyone who claims that they can remove negative information that's current and accurate from your credit report. This could be a credit repair scam. You can't get negative information removed from your credit reports if the information is current and accurate, but you can take steps to rebuild your credit. There are no shortcuts to building good credit history; it takes time and regular, on-time payments to your accounts.

WHEN YOU'RE BUYING A HOME, YOUR CREDIT MATTERS

If you are in the market to buy a home, lenders will use your credit scores to decide whether they're willing to lend to you and at what interest rate.

Don't apply for more credit than you absolutely need. If you can, avoid applying for new accounts or adding significantly to your debt. Your credit score may decline if you have too many new account requests or too much new debt. However, when you request your own credit report, those requests will not hurt your score. And when you shop for a mortgage with multiple lenders, the additional credit checks won't hurt your credit so long as they happen within a short window of time, roughly 45 days.

Remember that everyone, regardless of credit score, has the right to shop around for the best mortgage for their financial situation. Checking your credit history, fixing any errors and knowing your credit scores will put you in the best possible shape for getting a mortgage.

MANAGING DEBT BY THE NUMBERS

Managing debt is a major concern of many Americans. Nearly four out of five Americans carry at least one of the following types of debt measured by the FINRA Foundation's 2015 National Financial Capability Study: mortgage or home equity loan; credit card balance; auto loan; student loan; nonbank borrowing; or unpaid medical bills. And 40 percent of Americans reported thinking they "have too much debt right now."

That rate was even higher among those between the ages of 18 and 34, the millennial-age cohort who most represents military members. Forty-five percent of this group believes their debt load is too high. And it's slightly higher still for Gen Xers (ages 35 to 54, a group that represents "senior military" members). This shouldn't be surprising, as these are the Americans most likely to be carrying mortgages while saving for or putting children through college. Relatively fewer baby boomers (ages 55 and over) — 29 percent — thought their debt load was too high.

Student loan debt continues to weigh down the younger cohorts; 45 percent of millennials responding to the study carried some level of student loan debt. Students enrolled in four-year colleges or universities were much more likely than those currently enrolled at two-year community colleges or vocational/technical schools to have a student loan for themselves (60 percent vs. 42 percent).

Alarmingly, the research indicates that many students take on high levels of debt without giving much thought to how they might pay it back. More than half of students who took out student loans never tried to figure out how much their monthly payment would be. Further, when asked, "If you could go through the process of taking out loans to pay for your education all over again, would you take the same actions or make a change?," 53 percent indicated they would make a change.

Although age can influence which debt products different groups use, credit cards remain widely popular among all groups. Most Americans—77 percent—have at least one credit card; 26 percent have four or more cards. The upside is that even with all of those credit cards in circulation, 52 percent of cardholders reported paying their credit card balance in full month to month during the preceding year. This was up from 41 percent in 2009 and 49 percent in 2012. But nearly half of those surveyed still carried a balance on their credit cards and were charged interest, and nearly 1 in 3 made only the minimum payment during some months.

Besides credit cards, use of debit cards and prepaid debit cards is widespread among younger Americans. Only 10 percent of boomers use reloadable prepaid debit cards, compared to 39 percent of Americans between 18 and 34. These products have come under regulatory scrutiny in recent years. According to the Consumer Financial Protection Bureau, these reloadable prepaid cards can come with fees which must be disclosed by the vendor. Common fees may include:

- Monthly fee
- Transaction fee
- In-network/out-of-network ATM fee
- Balance inquiry fee
- Cash reload fee
- Paper statement fee
- Decline fee
- Additional card fee
- Inactivity fee
- Card-to-card transfer fee
- Bill payment fee
- Card replacement fee
- Foreign transaction fee
- Card cancellation fee

Customers should be aware of their rights using these prepaid cards and recognize that they may have to pay a number of fees to use them.

Although credit products evolve, and the need for credit varies through stages of life, the basics of managing credit and debt never really change:

- Borrow only for needs, not wants.
- Borrow the smallest amount you can for the shortest period of time.
- Shop for the lowest interest rate.
- Be aware of the total costs of any debt you incur, including all fees.
- Make all payments on time and in full.
- If you think you have too much debt, you probably do.

For more information regarding managing credit and debt, visit SaveAndinvest.org Credit and Debt at https://www.saveandinvest.org/military/credit-and-debt.

TAX BREAKS FOR PET OWNERS YOU CAN ACTUALLY GET

You love your pet. He's like your child, after all. But the IRS doesn't quite see it that way. The IRS takes the position that the money you spend on Fido or Fluffy is generally a personal expense. Your pet gives you pleasure like that latte you bought this morning. But just like your cup of coffee isn't tax deductible, neither is your pet.

There are a few loopholes, however. You might be able to deduct costs related to your pet if he serves another purpose in addition to accepting your undying devotion – and if you can prove it.

Foster Pet Parent Deductions: If you foster animals, you might be able to take advantage of tax benefits for charitable contributions.

"Any expenses you incur caring for foster animals from a qualified nonprofit are deductible on Schedule A as charitable donations," said Micah Fraim, a certified public accountant in Roanoke, Va., and author of "The Little Big Small Business Book."

These must be unreimbursed expenses if you want to get the deduction, though, said Kristina Grasso, master tax adviser with H&R Block.

And the expenses should go toward caring for these animals, such as pet food, supplies and veterinary bills. "Thankfully, most of these organizations provide the medical care and food for these animals," said Fraim. "But any expenses paid out of pocket that are necessary for their care that are not provided for or reimbursed are deductible."

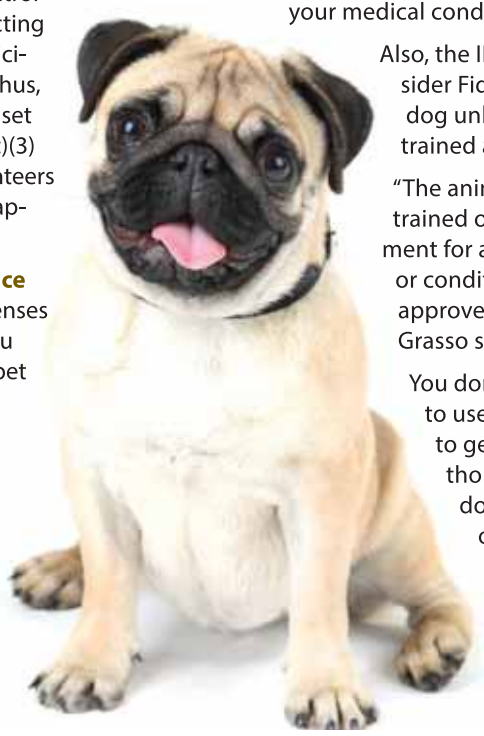
What about if you volunteer at a shelter or rescue organization? "Keep track of mileage for trips made to further the organization's work because this is deductible at 14 cents per mile," Grasso said.

How to Get the Deduction: When it comes to fostering animals from municipal shelters, both Fraim and Grasso said to be careful. According to Fraim, most are not 501(c)(3)s and do not qualify for these types of tax deductions – unless they're somehow tied to a charity.

"Some private agencies take on responsibility for animal control (law enforcement) functions or handle sheltering for a municipal animal control department by contracting with one or more municipalities," Grasso said. "Thus, if the private agency is set up as a nonprofit 501(c)(3) organization, the volunteers should qualify for any applicable deductions."

Guide Dogs and Service Animals: Medical expenses are tax deductible if you itemize. Let's say your pet helps you in a health-related capacity – if so, you'll likely get a tax break.

You can also include the costs of purchasing and training guide dogs for the blind or hearing impaired. This also includes veterinary, food and grooming expenses. Pets also are used in therapy, such as in the treatment of post-traumatic stress disorder. These animals are covered as well, Fraim and Grasso said.



How to Get the Deduction: "Make sure to get a prescription from your doctor – or some other documentation that shows your medical necessity – prior to obtaining any pet that you claim," Grasso said. Otherwise, "the IRS may conclude that your pet does not meet the requirements to deduct these pet expenses. Keep any documentation that shows how the animal was specially trained to help you with your medical condition, too."

Also, the IRS doesn't consider Fido to be a therapy dog unless he's been trained and certified.

"The animal must be trained or certified as treatment for a diagnosed illness or condition for the IRS to approve the deduction," Grasso said.

You don't actually have to use the dog yourself to get a deduction, though. If you raise dogs for a charitable organization such as Guide Dogs for the Blind, costs associated with providing for them qualify as a charitable deduction as well.

Taking advantage of these types of medical and charitable deductions related to animals can help you save a lot of money on your taxes this year.

Moving Expenses: The IRS won't let you claim your pet as a dependent – but it's not so heartless as to make you leave him behind if you're forced to move due to work.

You can deduct costs associated with transferring your pet to your new home. But there are some requirements you have to follow, according to the IRS.

How to Get the Deduction:

– Your move must be closely related to the start of your work.

– You have to pass the distance test.

– You have to pass the time test.

For example, your new workplace must be at least 50 miles farther from your old home than your old workplace was. So if your old workplace was only 10 miles away from your old home, your new workplace must be at least 60 miles from your old home. And if you're an employee, you must work full time for 39 weeks or more during the first year after you relocate.

Once you satisfy the IRS requirements, you can deduct the cost of shipping your household pets to your new home, along with other move-related expenses.

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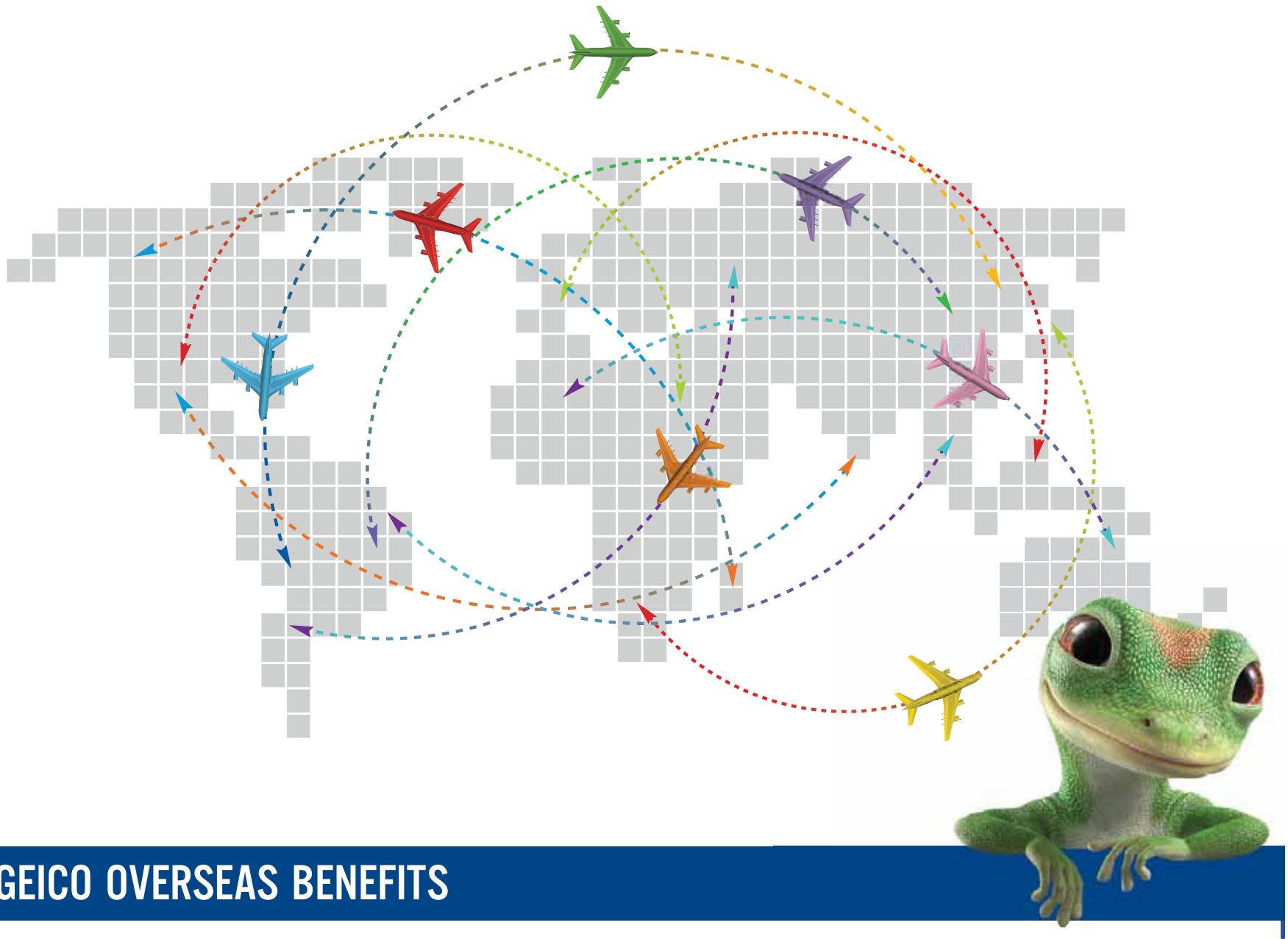

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EXPERTS:

SERVICEMEMBERS SHOULD START NAVIGATING NEW TAX LAW NOW

The new U.S. tax law is still fresh, but financial experts say it's not too soon for military servicemembers, veterans and retirees to dig into how the massive policy change will impact their pocketbooks for years to come.

The $1.5 trillion plan installed new tax brackets, benchmarks for deductions and child tax credits, among other changes.

By Claudia Grisales, Stars and Stripes

While many people could see a boost in take-home pay this year, and another increase in their tax refunds next year, those gains could diminish over time. Many of the cuts are slated to expire by 2025.

"The good news is some of the deductions that have been removed for the general public are still in place for the military," said Priya Mishra, managing attorney at Top Tax Defenders in Houston. "For example, there were eliminations to moving deductions. However, military members are exempt from this. For the most part, the benefits the rest of the public will see is also reflected for our military. The child care credit, for example, has gone up. So any of our servicemembers with children will be able to claim more for their children on taxes."

The vast rewrite of the U.S. tax code, the first of its magnitude in more than 30 years, could be a planning headache for taxpayers, including servicemembers. The plan was rushed through Capitol Hill and then signed into law by President Donald Trump on Dec. 22, so there's plenty of work facing the Internal Revenue Service, tax experts, financial consultants, businesses and taxpayers to interpret the plan and its impact.

Among the changes, most of the seven income tax brackets will have lower tax rates until 2025. Standard deductions increase, nearly doubling to $24,000 for married couples and to $12,000 for individuals. Child tax credits double to $2,000. Mortgage interest deductions will be capped to loans under $750,000, while state, local and property tax deductions will be capped at $10,000.

In one scenario, a middle-class family of four with an annual income of $70,000 to $80,000 could end up with at least $2,000 in tax relief in take-home pay this year and their tax bill next year.

"The effects are going to play out for a long period of time," said Michael Saunders, deputy legislative director for The Retired Enlisted Association, or TREA, which has been tracking the changes and their impact on military members. "You are looking at a long road to go before we know the full effects."

Military tax exemptions

The tax changes will be vastly similar for servicemembers and veterans.

"For the most part, military members and retirees will see the same benefits and changes due to the tax bill that all Americans will see," said John Cooney, a former Army officer who owns Green and Gold Financial Planning in Middleboro, Mass.

The larger standard deductions could help simplify the tax process at least in that area, experts said.

It "will eliminate the need for a majority of Americans to itemize on their taxes," said Mike Molitoris, an Air Force veteran who works with servicemembers and other veterans through his Flagship Wealth Management Group in Cary, N.C.

The average age of servicemembers is in their 20s, which likely puts them in the lower tax bracket. Changes to those rates will be especially important to watch, experts said. Also, deductions for married couples and family tax credits will also be key. More than half of active-duty military are married, the Defense Department says, and more than 40 percent of military personnel have children.

The good news is some of the deductions that have been removed for the general public are still in place for the military.

Priya Mishra, Top Tax Defenders, managing attorney

"Increasing the child tax credit … will be beneficial as well" for veterans and servicemembers, Molitoris said.

There are specific wins for servicemembers and veterans in the new tax legislation. Among them: Initial efforts on Capitol Hill to start taxing military personnel for moving costs were thwarted.

"This change was a recognition of the fact that military families are required to move fairly often," Cooney said of the new law's special provision for military members.

Changes to the tax brackets

New tax brackets reflect different percentages of taxable income.

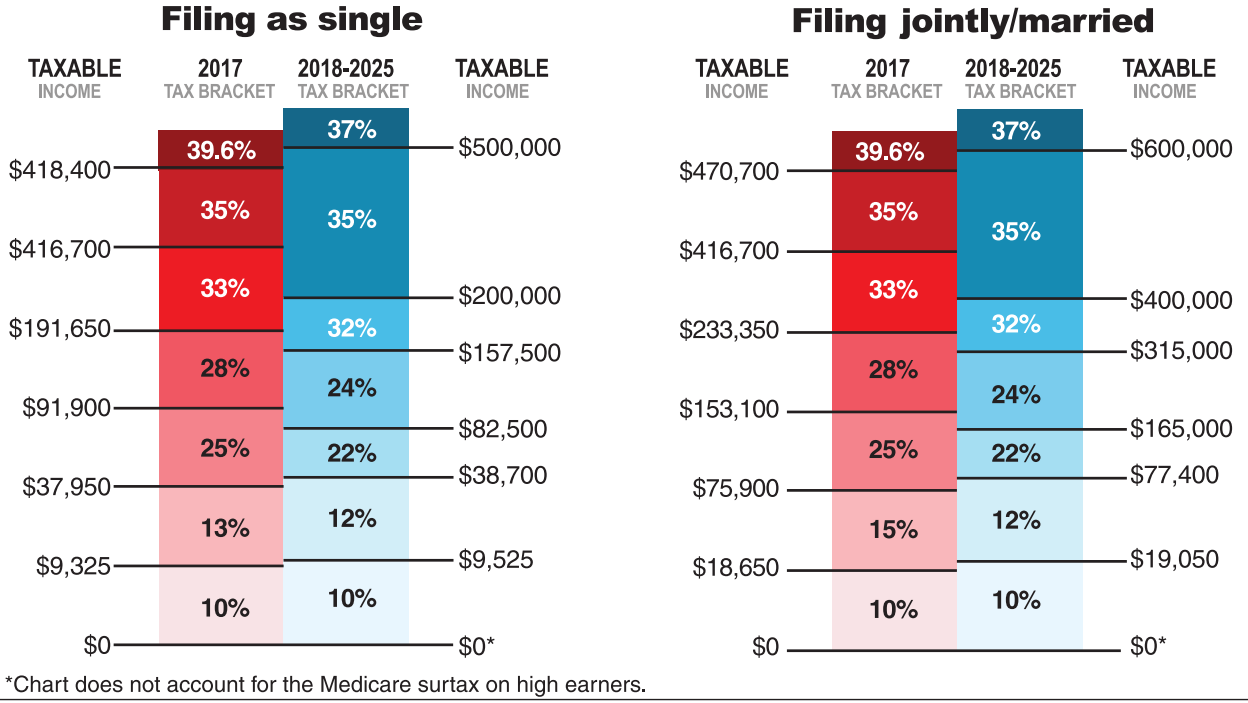


*Chart does not account for the Medicare surtax on high earners.

SOURCES: House of Representatives, Tax Cuts and Jobs Act; Fidelity

Bev Schilling/Stars and Stripes

Under the plan, a civilian will have to report an employer-paid move as income and pay a tax on that income, while a servicemember won't. Or, civilians who cover their own moves, won't get a tax deduction as they did in the past, while servicemembers will.

"The military was specifically excluded from that," said Jeffrey Kupfer, a tax reform expert and former White House assistant who is an adjunct professor at Carnegie Mellon University's Heinz College in Pittsburgh. For the military, "you can continue to deduct (moving costs) or you don't have to include them in your income." Other wins include the forgiveness of student loans as tax-free — not taxable income — for certain disabled veterans.

Most will see savings

The bill will likely reduce the tax burden for all people, at least on the front end, unless they are facing specific costs with reduced tax relief, such as higher medical bills or property and state income taxes in locations like California and New York.

"It's very likely that most military servicemembers will see some tax savings under the law," said Forrest Allen, associate director of government relations for the Military Officers Association of America. "It would take some unique financial circumstances for them to see some increase in their tax burden."

For example, servicemembers based in locations with no state income tax might have fewer worries than others in higher-tax states.

"If you are paying taxes in Texas, for instance, it won't be much of an issue," said Kupfer, who was special assistant for economic policy in the George W. Bush administration. "But if you are paying taxes in New York state, it becomes much more an issue."

High-tax states, however, might be looking at ways to ease the new tax burden, Molitoris said.

"There have been indications from various high-tax states that they may file suit or try to find work-arounds for their constituents to preserve their ability to deduct a higher amount," he said.

The White House has estimated as much as 90 percent of taxpayers could end up with a cut in the beginning, which would apply to military members as well.

"Essentially, all servicemembers will end up with a tax cut, depending on how much one is paying to begin with," Kupfer said.

The changes could amount to IRS adjustments for take-home pay this year, with servicemembers seeing bigger paychecks in 2018 followed by larger tax refunds next year. Uncertainty on how exactly the law will affect them when take-home pay changes will kick in this year, and how their returns will look in 2019 and beyond means taxpayers need to proceed with caution, experts say.

"We're concerned if the results of the tax change reduce any discretionary income or access to or use of their income," said Dan Merry, vice president of government relations for MOAA. "No one will know the outcome until we get the tax forms. So there's all these decisions. I think the average individual should pay particular attention to their situation."

The U.S. Treasury Department and the IRS recently issued new withholding guidelines for employers, who must next coordinate the changes in paychecks. Military servicemembers, like civilians, could start seeing larger take-home checks as early as this month. The IRS will be releasing new withholding calculators by the end of February, the agencies said.

Kupfer is betting the tax cuts could get extended.

"From a tax policy standpoint, it's always better to have permanent tax law; it helps with planning and removes uncertainty," he said. "The provisions relating to the reduction of the tax rate or the child tax credit are all things that are going to be around for at least eight years. But if history has shown us anything, there is a decent likelihood they could get extended."

'Save your money'

With the new tax cuts set to expire by 2025, the front-end gains could simply amount to a one-time bonus, several experts said.

Photo provided by U.S. Air Force

Airman 1st Class Daniela Pastor, 86th Airlift Wing Judge Advocate paralegal, assists Staff Sgt. Tynisia Hains, 86th Force Support Squadron installation patrolman, at the base legal office at Ramstein Air Base, Germany.

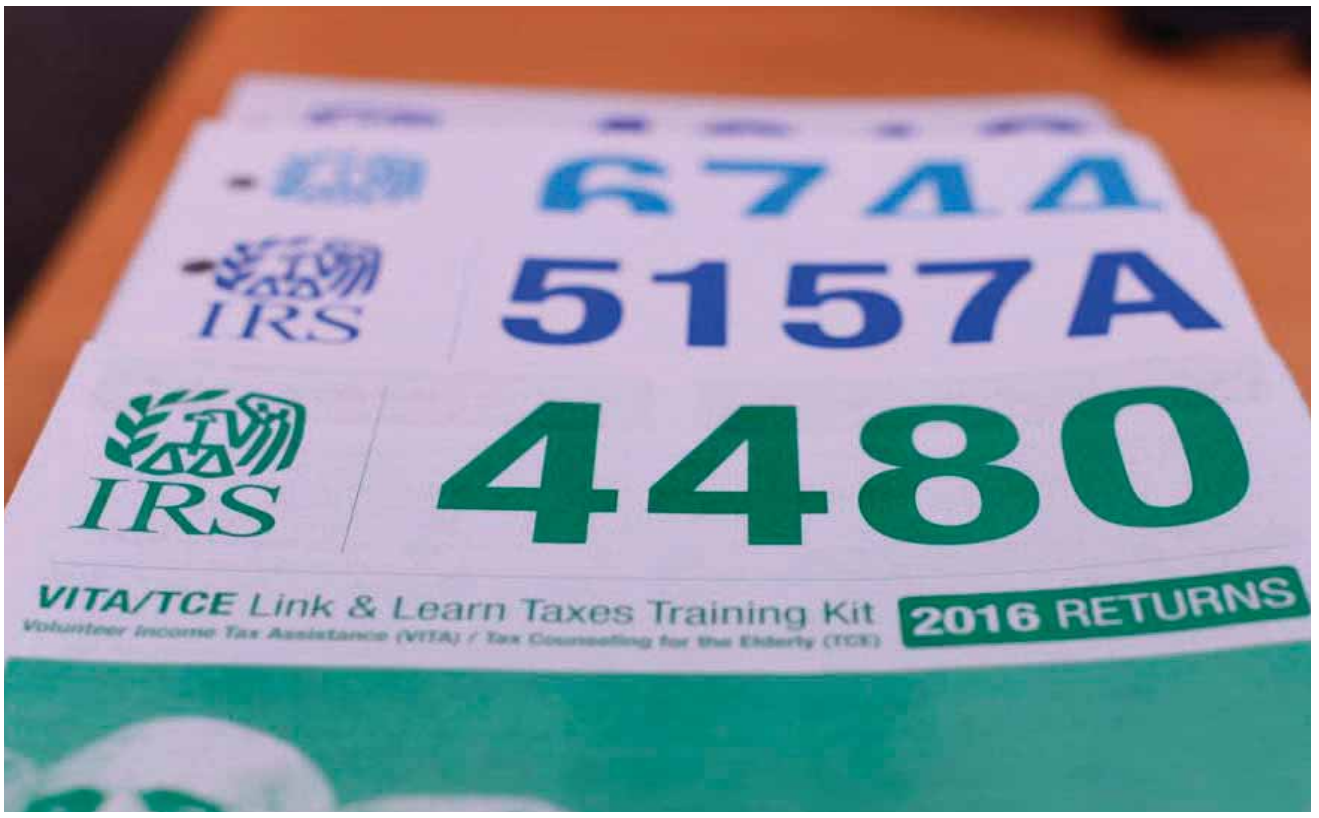


Photo provided by U.S. Air Force

Tax training kit booklets are displayed at the Ramstein Tax Center at Ramstein Air Base, Germany. Kaiserslautern Military Community members filed their tax returns through the tax center to receive their federal returns.

"Rates could go up" after 2025, said Saunders, TREA deputy legislative director. So "save your money. Plan short term for a temporary bonus."

Saunders and Allen, the MOAA associate director, suggest that servicemembers divert this year's extra pay and tax return gains in subsequent years to a retirement fund or savings plan.

"It's almost like a little bonus, but you can't expect to have it forever," Allen said.

Merry said it's critical that servicemembers research the law or visit a reliable financial counselor on their base or elsewhere. It's also a good time to revisit personal budgets, reassess "needs" versus "wants" and discuss discretionary funding.

An assessment will be especially crucial for people on a tight budget, as they might see a harsher impact from the law in the coming years.

"If they have discretionary income now, they may not notice right away, but if they are on a tight budget, [they should] go to a financial counselor on their base and ask for an assessment of their financial situation," Merry said. "If they are close on their budget, they need to take a close look at how it will affect them individually."

Even now, work is underway on Capitol Hill to tweak the tax reform law or make "technical corrections," Allen said. For example, businesses under the new plan will see the Work Opportunity Tax Credit program, which allows tax credits for employers who hire certain veterans, expire next year.

Saunders said there are efforts to have that plan extended beyond 2019.

Merry said this year's tax filing will be a good test-run for changes to come for tax filers.

"They may be able to use the tax filings this year as a springboard as to how their taxes will be impacted next year," he said. "Don't celebrate as you face an unknown — compare this year's taxes to what the law says about next year."

From a tax policy standpoint, it's always better to have permanent tax law. It helps with planning and removes uncertainty.

Jeffrey Kupfer, tax reform expert

Are You Financially Fit?

HOW TO MAKE FINANCIAL WELLNESS HAPPEN

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

Check out all the free personal financial management programs available for servicemembers and their families.

Programs and resources for better money management

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

Take financial education classes. As a military family, you have access to numerous classes and seminars, both through your installation and via My Training Hub. Choose from a variety of topics like:

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

Check with your installation's Military and Family Support Center about classes on the installation or visit My Training Hub to see what's available online.

Seek out financial counseling

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

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

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

Take advantage of finance programs

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

- Military Saves: Military Saves is designed to help servicemembers create a savings plan and learn about high-interest savings, consumer reporting, credit scores and overall financial well-being. There's also the social marketing program Military Youth Saves, designed to teach kids about the importance of saving money early on.
- The Savings Deposit Program: This Department of Defense program gives deployed servicemembers the opportunity to build their savings in a designated savings account that earns 10 percent interest throughout their deployment.
- Thrift Savings Plan: This government-sponsored retirement savings plan for servicemembers and federal employees allows for all contributions to be tax-deferred.
- The Military Consumer Campaign: This campaign was created to help servicemembers and their families become more informed consumers and avoid common financial scams that specifically target the military community.

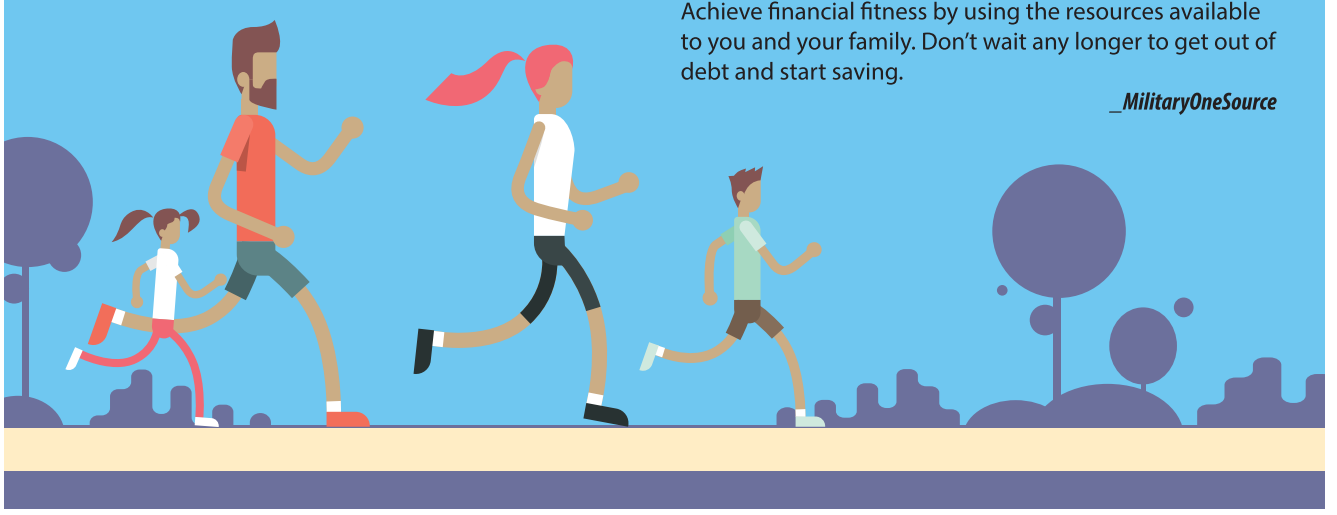
Emergency support resources

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

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

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

_MilitaryOneSource



BEWARE MISLEADING AUTO LOAN ADVERTISING

The Consumer Financial Protection Bureau encourages servicemembers to shop around for their auto loan to avoid being targets of misleading advertising. Entering military service often presents a young recruit their first opportunity at financial stability.

For many young enlistees, this is the first time they will have access to a steady stream of income. And for almost all recruits, no matter at what stage of life they enter, this means moving away from home to a new location.

These circumstances are no secret to the auto industry; many companies, including dealerships or lenders, set up shop right outside installation gates and will advertise military rates or discounts to bring servicemembers into their business.

Many auto loan complaints report concerns with the financing costs associated with their auto loan, including extremely high interest rates.

As one servicemember described: "The [company] even knew how much I made as a (soldier). I will be paying over [XX] when I'm done paying this car. I have a family that I need to support, and this is unfair and unjust. I didn't know that I was going to pay over [XX] what the vehicle is worth. They never explained the APR (annual percentage rate) percent or how much I'd end up losing, and I feel really taken advantage of. … This always happens simply because I am a [servicemember], and I live near a base, so all these businesses set up and sell their products advertising 'we do military finance.' They reel us in like fishes."

In 2012, we heard from a father who was concerned that his son had been the victim of a misleading and costly car loan program right after he joined the military. The CFPB began an investigation into the issues and, in June 2013, announced an order that required a return of approximately $6.5 million to active-duty military members affected by companies participating in a private auto loan program called the Military Installment Loans and Educational Services, or MILES.

In addition to failing to properly disclose all costs associated with the loan program, including the costs and coverage of add-on products financed with the loans, the CFPB alleged the MILES program required servicemembers to repay their loans using the military allotment system.

A military allotment deducts payments for a lender directly from a military member's paycheck before that salary is deposited into his or her bank account. The allotment system was created decades ago to help deployed servicemembers send money home to their families and pay creditors at a time when automatic bank payments were not yet common practice. This enforcement action was the first time the CFPB responded to this significant vulnerability that allowed lenders to misuse a payment system that was created for an entirely different purpose. As we continued to look into the use of allotments, further CFPB enforcement actions involving allotments were completed.

We also have heard that some lenders misrepresent a servicemember's rights under the Servicemembers Civil Relief Act, or SCRA. The SCRA interest rate protection applies only to loans entered into prior to entering military service. Regrettably, many new recruits have not yet had the opportunity to learn about their rights and protections and can be led to believe that if they sign up for a loan with a high interest rate while on active duty, the SCRA would drop the rate to 6 percent later on. This is not true.

In order to help all consumers shopping for a new or used car, the CFPB created the Know Before You Owe Auto Loan Worksheet (http://files.consumerfinance.gov/f/documents/201606_cfpb_auto-loan-worksheet.pdf). The worksheet helps consumers shop for financing and understand the total cost of the loans being offered. An associated Office of Servicemember Affairs blog (https://www.consumerfinance.gov/about-us/blog/arm-yourself-knowledge-when-shopping-auto-loan/) offers tips directed at servicemembers, such as being alert to the mischaracterization of SCRA protections.

_ The Consumer Financial Protection Bureau

GOOD DEBT VERSUS BAD DEBT: DO YOU KNOW THE DIFFERENCE?

Courtesy of Military OneSource

Life can be expensive, and most of us can't just pay for a house or a college education out of pocket. Today, it's almost impossible to live without acquiring some kind of debt. And believe it or not, there are two kinds of debt: good and bad. Good debt can be used smartly to achieve your financial goals. Bad debt is what you get when you buy things you may not need with money you don't have. Even if you accumulate bad debt with the best intentions of paying it off, bad debt is just, well, bad, and it can be a slippery slope.

What is good debt?

Good debt is debt that translates into an investment with long-term growth potential. You usually take on good debt after careful consideration and with a clear plan for repaying it. Here are two examples:

Buying a house. Mortgage debt is good debt, and buying a home can be a good long-term investment, depending on how its value appreciates. Interest rates on home loans are generally low, and mortgage interest is tax-deductible.

Paying for college. A college degree increases your earning potential so student loans are typically considered to be good debt. Student loans generally have low interest rates and a grace period on repayments until after graduation.

Buying a car. This one can be good or bad debt, depending on what type of car you buy. Cars rarely maintain long-term value (it's almost always the opposite), but they can still be a good investment based on your need for a car and the reliability of the one you buy. That $100,000 exotic sports car? Forget it.

What is bad debt?

Bad debt can pile up when you buy things that quickly lose their value and don't have any long-term growth potential — and you really can't afford them, to boot. You risk having to pay back significantly more money than you borrowed in the first place. Even worse, bad debt can negatively affect your credit score, especially if you've maxed out several credit cards or have bills you can't afford to pay. For example:

Goods and services. Things that decrease in value or get consumed — like clothing, food, gas or vacations — end up costing you more in the long run because the interest keeps adding up.

Credit cards. Interest makes a big difference here, too. If you carry credit card balances instead of paying them off in full each month, you'll pay way more than what the items actually cost. Credit card companies often lure customers in with low or zero interest rates for the first year, then charge a higher-than-average interest rate at the end of the promotional period. That's when you're really in trouble.

Payday loans or cash advance loans. Avoid these loans at all costs — pun intended. You'll likely pay a fee to get the loan upfront, and the interest rates can be as sky high as 300 percent.

Furniture, appliances and home remodeling. It's tempting to borrow money for these big-ticket items. A better plan is to save for these things and avoid going into debt at all.

How to control your debt

Despite your best efforts, you accumulated some bad debt. Don't panic: You can get your debt under control. The Department of Defense provides financial services and support to military families struggling with debt, and the government has good consumer resources for financial matters.

Get no-cost personal financial counseling. Contact the Personal Financial Management Program at your installation or Military OneSource's financial counseling services to talk with a financial counselor who can help you make a personal financial plan and figure out the best way to pay down your debt.

Visit the Federal Trade Commission's website. You can get a free credit report, learn what to do if you're facing foreclosure, figure out how to deal with debt and much more.

Check out the Consumer Financial Protection Bureau's website. The CFPB devoted an entire section to military members and their families and their particular financial concerns.

Don't wait to make a plan, especially if you're carrying a lot of bad debt. Use your available resources and support to learn better money management and get out of bad debt — for good.

We're proud to protect your smile.

U.S. Veterans can get MetLife dental benefits through the VA Dental Insurance Program (VADIP). VA's Dental Insurance Program (VADIP) offers enrolled Veterans and beneficiaries of VA's Civilian Health and Medical Program (CHAMPVA) the opportunity to purchase dental insurance at competitive group rates.

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IN THE MILITARY? YOU MAY BE ELIGIBLE FOR A NEW RETIREMENT PLAN

By Erin Arvedlund
The Philadelphia Inquirer

If you serve in the military, you might have an important decision to make in 2018: whether to stay in the current retirement system – the federal government's Thrift Savings Plan – or opt into the new Blended Retirement System, or BRS.

Once you make your choice, you won't be able to go back, even if you change your mind before the Dec. 31, 2018, deadline.

The Thrift Savings Plan, or TSP, is the federal government's traditional retirement plan for federal workers and uniformed servicemembers.

But as of Jan. 1, 2018, all new members of the uniformed services are enrolled in the updated BRS retirement plan; military servicemembers with fewer than 12 years of service by Dec. 31, 2017, also are eligible to enroll in the new retirement system.

What are the benefits of opting in? For the first time, the government will match some of your annual retirement contributions. This could be an especially good deal for young people who will have their own account and can kick in their own money over time. The drawback? The government portion, the pension, will take a 20 percent hit.

Time is of the essence.

"As soon as you opt into the BRS, you get the match in the following pay period. If you want to opt in, do it as soon as possible this year to maximize that," said Michael J. Meese, a retired Army brigadier general and chief operating officer of the nonprofit American Armed Forces Mutual Aid Association. At 57, Meese isn't eligible for the new system; he's grandfathered into the legacy retirement plan. His son, however, is a 27-year-old captain and is deciding whether to opt in, Meese said.

At the TSP's rather clunky website, TSP.gov, check out the bulletin board for news on the BRS. Or call the TSP (877-968-3778) and watch the video, "Opting into the Blended Retirement System," found at youtube.com/tsp4gov.

Other websites offer new plan benefit calculators, such as http://militarypay.defense.gov/Blended-Retirement and USAA.com/brs.

IRS investigations

The Internal Revenue Service website has updated tax-withholding tables for 2018 to reflect the new Tax Cuts and Jobs Act, but they may be refined before tax season begins. So check the IRS website for updates (www.irs.gov).

Meanwhile, we spoke to John D. "Don" Fort, the new IRS chief of the criminal investigation division, appointed in June 2017. Fort's division investigates crimes such as hacking, identity theft and criminal violations of the tax code. He said IRS criminal investigators will be focusing on employment taxes to detect fraud.

Photo provided by Dreamtime

"Employment tax is one of the areas where we've increased investigations. We made a concerted effort to do that because that's where 70 percent of all taxes are collected," said Fort, who briefly served as the special agent in charge of the Philadelphia IRS field office. "There's significant areas of noncompliance."

His office is using data-mining tools such as Palantir, fraud referrals and revenue offices to comb through hundreds of millions of tax returns, bank filings and other databases, including one involving the Foreign Account Tax Compliance Act. The division has the same number of agents as it did 50 years ago, Fort added, so they're leaning heavily on the data mining.

Hispanic savings

Yet another entrant has joined the fast-paced, growing robo-adviser community: Finhabits.com, which aims to enroll more Hispanic/Latino investors and encourage savings among this community in large metropolitan areas. Finhabits uses an automated platform, accessible by computer or phone, to set up a savings account and an investment portfolio tailored to your goals. It charges $1 a month for new accounts under $2,500. For accounts above $2,500, the fee rises to half a percent annually.

Finhabits' registered investment adviser invests in Vanguard and Blackrock index funds and exchange-traded funds, according to founder Carlos Armando Garcia Portillo, 37, who previously worked at Merrill Lynch Investment Management and a hedge fund, Madison Quant Labs.

5 WAYS TO SPEND YOUR TAX REFUND WISELY

Courtesy of Military Saves

With the arrival of tax season, you might be tempted to spend your entire refund on something you don't really need, like a new wardrobe, the wide-screen TV you've been wanting, golf clubs or another non-necessity. It's okay to spend a little on yourself, but being responsible about how you spend your refund now will be a huge help in the months to come.

If you haven't spent your refund wisely in past years, here are some tips to get you on the right track:

1. **Use 30 percent of your refund to pay down debt.** Using your refund to pay off high-interest debt, like credit cards, is a responsible way to utilize the extra money your refund check will bring. Paying off your debt could save you hundreds of dollars in interest that you would pay down the line. This is a great way to maximize your refund dollars.

2. **Put 30 percent of your refund in an emergency savings account.** From car maintenance and home improvements to medical emergencies, an inconvenient event is bound to come up, and you will want to be financially prepared. Most car repairs, home improvements and medical procedures cost at least $250, even with insurance. Consider using part of your refund to open or add to your emergency savings account.

3. **Be strategic.** Create a monthly spending plan and write down how you will spend your tax refund throughout the year. If you divide the amount of money in your tax refund over 12 months, it won't be as easy to splurge or spend your refund too quickly. Think of the new clothes you need for your growing toddler or teen, the braces your child may need or paying for summer camp. Even if you allow yourself a spa massage every month, think of how much easier it would be to pay for it if you put money away for it now. Being strategic about how you will spend your money will make it easier to do it in the future.

4. **Start a "special occasion" or holiday fund.** How many times has Valentine's Day, your anniversary or your parent or child's birthday snuck up on you, and you realize too late that you don't have the finances you need to pay for gifts? Special occasions are meant to be celebratory, so avoid bringing stress to them by taking a chunk of your tax refund and setting it aside to fund future special events.

5. **Consider giving back.** When you are working to make ends meet, the thought of putting money toward anything other than your own bills or savings account might be difficult. But think of the lesson it will teach your kids and the feeling it will give you to donate $5 to $10 per month to a local food pantry or shelter. Not only will you be helping your community but you will give yourself a tax write-off for the next year.

Making the wise decision to strategically plan how you will spend your tax refund now will save you from potential financial headaches that can come later. Taking steps now before the tax season arrives will set in motion smart financial practices that will not only help you at tax season but throughout the year.

ADVERTORIAL

Help protect your family with Term 90 Plus life insurance.

Term 90 Plus life insurance offers rates that let you start getting protection more affordably.

The military trained you to be ready for anything. At Military Benefit Association (MBA), we think you should be just as ready when it comes to your family's financial protection. It all starts with life insurance — one of the smartest and simplest ways to help protect your loved ones.

Life insurance that makes protecting your family easy.

MBA Term 90 Plus life insurance offers solid protection — whether you want to add to your SGLI or are looking for an affordable alternative to VGLI.

MBA Term 90 Plus life insurance features:

- Rates start at just $2.50/month for $50,000 coverage*
- Affordable alternative to VGLI
- Coverage up to $1,000,000
- Coverage up to age 90
- Coverage available to non-military spouses
- Eligible children may be covered up to $12,500 at no additional cost
- Plans can go with you when you enter civilian life
- No limitations on aviation-related deaths
- No war clause

Who is eligible?

Level Term life insurance is available to Active Duty and Retired service members, Reservists, National Guard members, Veterans and all spouses of military personnel.

Monthly rates per $50,000 of life insurance coverage:

Age	Non-Tobacco User Premium	Tobacco User Premium
up to age 29	$2.50	$5.00
30-34	$2.90	$5.80
35-39	$3.10	$6.20
40-44	$4.00	$8.00
45-49	$5.00	$10.00
50-54	$8.50	$17.00
55-59	$15.50	$31.00
60-64	$23.79	$47.58

Insured members qualify for non-tobacco discount if they have not used tobacco products during the past 12 months. Rates increase at 5-year intervals until age 90. Coverage reduces at age 70 and again at age 80, and terminates at age 90

The benefits of membership.

Joining MBA is free. We have resources to safeguard your economic welfare, including financial education on life events, video seminars, market analysis, financial calculators and more.

MBA membership comes with these added benefits:

- Free will preparation services and power of attorney services1 (insured members)
- Free estate resolution service (insured members)
- Savings on auto and home coverage2
- Generous scholarship program
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* The $2.50 rate is non-tobacco user rate for members up to age 29 for $50,000 (1 unit) of coverage.

1 Provided by Hyatt Legal Plans, Inc.

2 Coverage provided by Liberty Mutual Insurance. Not affiliated with MLIC.

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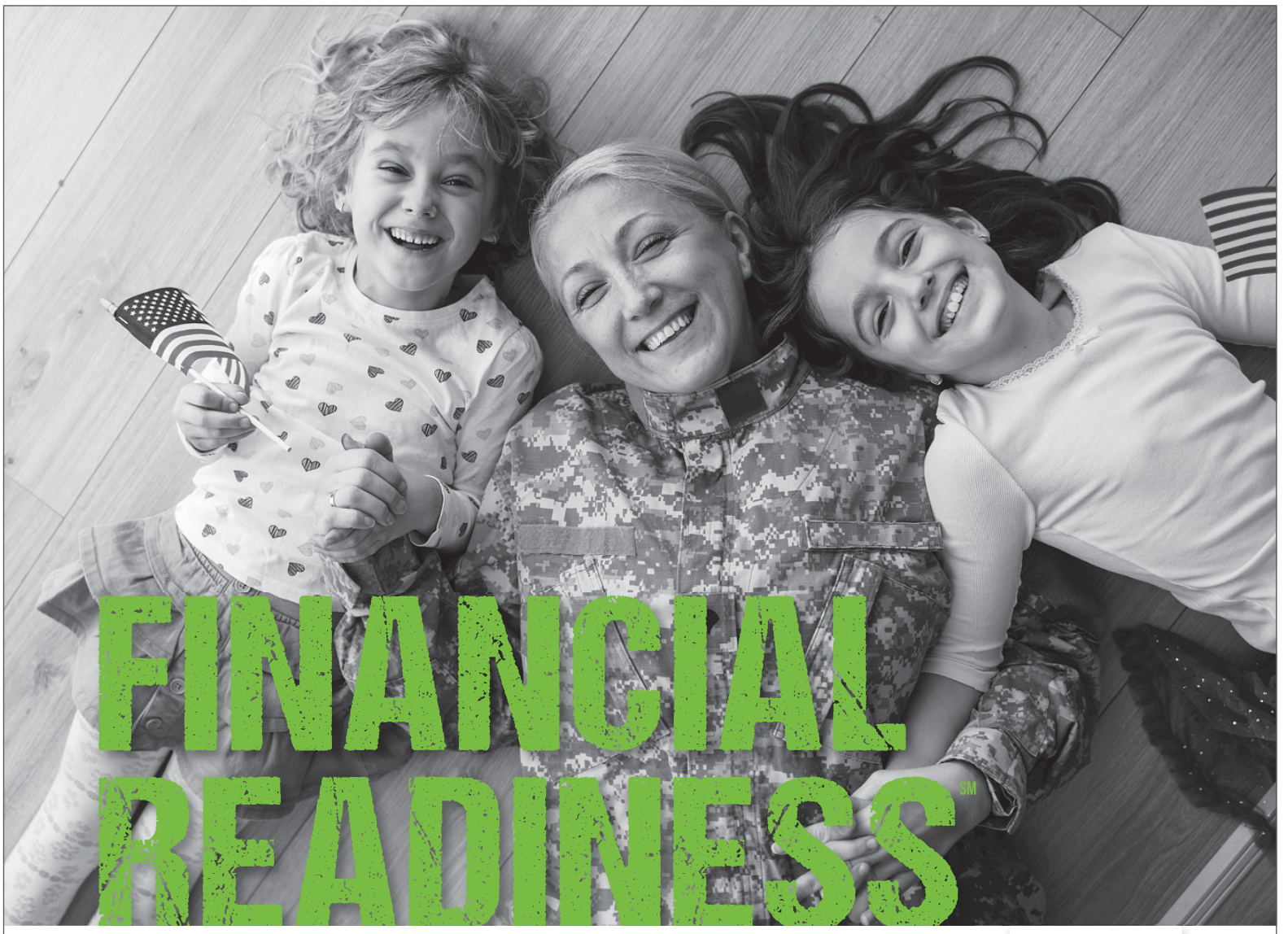

for military families.

MILITARY BENEFIT ASSOCIATION

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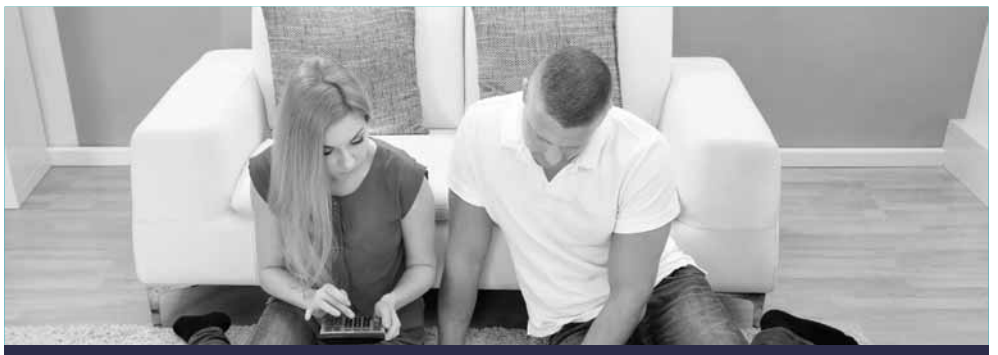

LIVING WITHIN YOUR MEANS

WHAT YOU CAN DO

Courtesy of Military OneSource

Looking at your credit card balance shouldn't give you meet-the-parents-level anxiety. Perhaps the mere mention of debt makes your palms sweat. You may be living beyond your means if:

- You carry a credit card balance that is stagnant or growing.
- You tell yourself each month: "I'll pay off the balance with my next paycheck."
- You count overdraft fees as part of your monthly expenses.
- You pay off one credit card with another credit card.
- You hear from debt collectors more than you hear from friends.
- You save less than 10 percent of your paycheck.
- You couldn't survive for three months if you lost your income tomorrow.

It may be time to make some changes. Face your finances head-on and you'll be patting yourself on the back the next time you check your balance.

If you have more plastic in your wallet than cash, you are not alone. Credit cards make it easier to spend more than you can afford to spend. Once you start overspending, your debt can grow quickly.

But there's no need to keep spending like an A-list celebrity. If you're deep in debt, decide that today is the day that you will stunt that debt growth.

Start living within your means today.

1. Draw a line in the sand. Give yourself and your family a start date and commit to making changes from that date forward.
2. Make a spending plan and stick to it. Plug in your expenses, review what you spend and pledge to better manage your money.
3. Hunt for places to trim spending. Downgrade to a lower monthly cable or cellphone plan and use those savings to take your debt down a peg or two.
4. Shop your commissary and save an average of 30 percent on groceries and household items. Shop your exchange to make tax-free purchases.
5. Think before you buy. Walk away from big purchases, or from a string of small purchases. Ask yourself if you really need them – really wanting them doesn't count. If you can't justify an expense, it's an expense that you don't need right now.
6. Save for big purchases instead of charging them.
7. Check your attitude when it comes to earning extra income. When you need to pay bills, a "that job is beneath me" mindset won't get you very far.
8. Pay in cash. You're less likely to waste money when you're handing over actual currency.
9. Avoid being an emotional shopper. If "retail therapy" or "mental health purchases" thrill you, just wait until you experience how fabulous it feels to be debt-free.
10. Take tips from the experts. Get professional advice on how to efficiently pay down your debt and get a grip on your finances.
11. Read the fine print. The Consumer Financial Protection Bureau can show you how carrying credit card balances keeps you locked in debt.

It's no secret that life comes with waves of financial challenges. If you are ready to tackle these challenges, you have support in your corner. Let the experts at Military OneSource (800-342-9647) or your installation's Personal Financial Management Program help. Get help with financial planning, debt counseling, budgeting, spending plans, overall money management, military loans, mortgage or rent help and more.

Instead of making one monster lifestyle change, start small. Make simple changes to reign in your spending and start living within your means. These changes may not be easy, but they will definitely be worth it because being debt-free and in control of your finances is priceless.

HOW TO REDUCE YOUR DEPENDENCY ON CREDIT WHEN YOU'RE IN THE MILITARY

Courtesy of Military OneSource

Being in debt doesn't have to be a way of life. If you're willing to put in the effort, you can reduce your debt, start saving and feel great about your financial future.

So don't sit back and watch your debt grow. Instead, create a plan to commit to your financial freedom.

8 steps to begin reducing your dependency on credit

1. **Figure out how much you owe.** Sit down with a pen and paper and write down how much you owe and the creditor. Consider whether your debts are "good debts" or "bad debts" so you'll know where to focus your efforts. Writing down all of your debts will help you visualize a plan for paying them down.
2. **Determine where you're paying the most interest.** This way you know where you're losing the most money and which credit card or personal loan you should aim to pay off first.
3. **Focus on one debt at a time.** Beginning with where you're paying the most interest, pay down one debt at a time. Don't lose sight of your other debt, though. Maintain your minimum payments on your other credit cards or loans.
4. **Make good use of any "extra" money.** While it can be tempting to spend your tax return or year-end bonus on things you want, delegate at least half toward your debt.
5. **Create a realistic budget.** Figure out how much money you have coming in each month and how much you need to spend on necessities and discretionary items. You also have to factor in how much you want to save. Use these amounts to create a financial plan that works for you and your family.
6. **Prioritize your discretionary income.** Once all of your bills are paid, how do you spend your money? Using the guidance of your budget, determine how much of your discretionary income you should put toward paying off your debt and how much you can still afford to spend on things you want but don't need.
7. **Save for the future.** Whether you're planning for retirement, paying for your children's college education or simply trying to avoid using credit cards for emergency purchases, a healthy savings account is one of the best ways to achieve financial freedom.
8. **Use the resources available to you as a military family.** There are numerous programs and services available to military families to help promote better money management. Know and use those resources.

Money management resources for military families

Each branch of military service offers a personal financial management program to help servicemembers and their families successfully plan for their financial futures. You can meet with a personal financial counselor at no cost to you or take classes offered on your installation. Visit MilitaryINSTALLATIONS to find the personal financial management program on your installation.

If you don't live near an installation, don't worry. You can still receive free personal financial counseling through Military OneSource or take classes on financial topics through My Training Hub.

Getting your debt under control might seem overwhelming at first, but with the right planning and resources, you'll be on your way to financial freedom before you know it.

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