2017 Financial Planning Guide

February 16, 2017

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MONEY & MINDFULNESS

MAKING BETTER SPENDING CHOICES

BUILDING A BETTER BUDGET IN 5 STEPS

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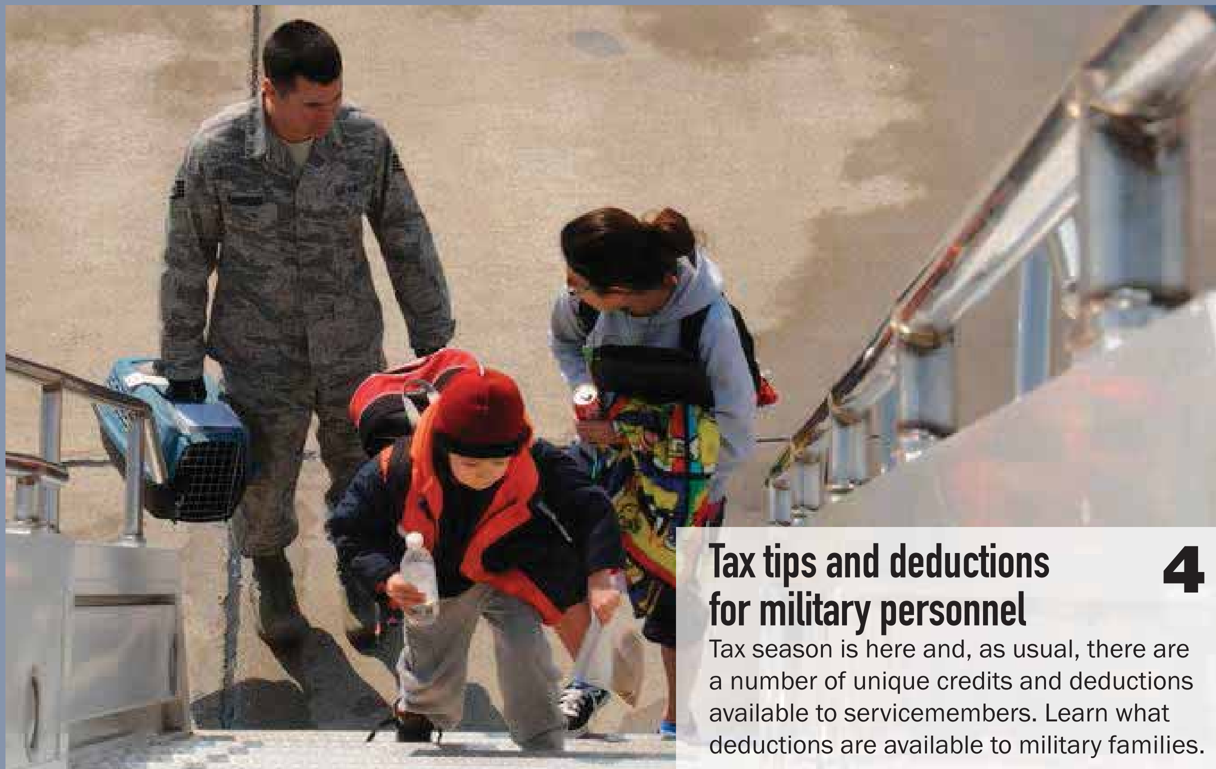

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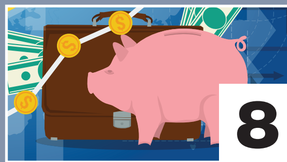

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FREE TAX HELP AVAILABLE FOR MILITARY FAMILIES

Courtesy of the IRS

The IRS provides free tax help to military members and their families through its Volunteer Income Tax Assistance program. VITA offers free tax preparation and e-filing at sites both on and off base. It also has sites to help servicemembers overseas. Here are five things to know about free tax help for the military.

1. Armed Forces Tax Council. The Armed Forces Tax Council oversees the military tax programs offered worldwide. AFTC partners with the IRS to conduct outreach to military personnel and their families. This includes the Army, Air Force, Navy, Marine Corps and Coast Guard.

2. Volunteer tax sites. IRS-trained volunteers staff the military VITA sites. They receive training on military tax issues, such as combat zone tax benefits, extensions of time to file and pay and special rules for the Earned Income Tax Credit.

3. What to bring. To get free tax help, bring the following records to your military VITA site:

- Valid photo identification.
- Social Security cards for you, your spouse and dependents. If you don't have a card you should get a letter from the Social Security Administration to verify your information.
- Birth dates for you, your spouse and dependents.
- Your wage and earning forms, such as Forms W-2, W-2G, and 1099-R.
- Interest and dividend statements (Forms 1099).
- A copy of your last year's federal and state tax returns, if available.
- Routing and account numbers for direct deposit of your tax refund.
- Total amount you paid for day care and the day care provider's identifying number. This is usually an Employer Identification Number or Social Security number.
- Other relevant information about your income and expenses.

4. Joint returns. If you are married and file a joint return, generally both you and your spouse need to sign the return. If you both can't be present to sign, you should bring a valid power of attorney form. Use Form 2848, Power of Attorney and Declaration of Representative.

There is a special exception to this rule if your spouse is in a combat zone. The exception allows a spouse to file a joint return with a signed statement explaining that the other spouse is in a combat zone and unable to sign.

5. IRS Free File. Do your own taxes with IRS Free File. You can use free, brand-name software or online fillable forms. If your income was $58,000 or less, you qualify for Free File software. If you made more than $58,000, you can use Free File Fillable Forms. Learn more at IRS.gov/freefile.

See IRS Publication 3, Armed Forces' Tax Guide, for more on this topic. You can get the booklet on IRS.gov or order it by calling 800-TAX-FORM (800-829-3676).

TOP TAX TIPS FOR MILITARY PERSONNEL

Find out what **service-related expenses** can be deducted

Ethan Ewing
Courtesy of Military.com

With the start to the new year behind us, it is time to once again plan for tax season. With the exception of those serving in combat zones or stationed outside the U.S., most military personnel and their families must file taxes by the traditional April 15 deadline.

As usual, there are a number of unique credits and deductions available to servicemembers. This article will focus on the deductions available to military families. All information in this piece is based on information supplied by the IRS in the Armed Forces Tax Guide. For further clarification or for additional deductions, as well as information on available tax credits, visit irs.gov/individuals/military.

GROSS INCOME

Military servicemembers receive many different types of pay. For tax purposes, it is important to identify the types of pay and allowances that can be excluded from your gross income. These exclusions generally include: living allowances, moving allowances, travel allowances, combat zone pay, and death allowances. Excluded items are not subject to tax, but may have to be shown in your tax return.

COMBAT ZONE EXCLUSION

If you are a member of the armed forces serving in a designated combat zone, then you can exclude certain pay from your income. The month for which you receive this pay must be a month in which you either served in a combat zone or were hospitalized as a result of wounds, disease, or injury obtained while serving in the combat zone. You need only serve for one or more days in a month to qualify for exclusion for the entire month. A few examples of pay types eligible for exclusion include:

- Active-duty pay earned in any month you served in a combat zone
- Imminent danger/hostile fire pay
- A reenlistment bonus if this extension occurs in a month you served in a combat zone
- Pay for accrued leave earned in any month you served in a combat zone
- Portion of any student loan repayment made for the year while serving in a combat zone

It is important to note that retirement pay and pensions do not qualify for combat zone exclusion. In some cases, service outside a combat zone can be considered service in a combat zone if the Department of Defense designates it in direct support of military operations in the combat zone, or if the service qualifies for duty subject to hostile fire or imminent danger pay.

RETIREMENT CONTRIBUTIONS

Generally, you can deduct some portion of the contributions you make to your traditional individual retirement account for the year. However, if you or your spouse were covered by an employer-maintained plan at any time during the year then not all of these deductions may be eligible. According to the IRS, armed forces members (including reservists on active duty for more than 90 days during the year) are considered covered by an employer-maintained retirement plan.

Keep in mind that military personnel qualify for additional time to make contributions to an IRA. It is also important to note that even though combat pay is nontaxable, you must calculate it as part of your limits on IRA contributions and deductions of IRA contributions.

SALE OF A HOME

You may not have to pay tax on all of the profit realized from the sale of your main home. A deduction of up to $250,000 of gain (or $500,000 if married, filing jointly) is generally available upon the sale of a main home. A main home is one defined as having been lived in as a primary residence for more than two years. You may also be able to exclude gain from the sale of a home that was used as a rental or business property as long as it meets certain ownership test criteria outlined by the IRS. You cannot deduct a loss from the sale of your main home.

MOVING EXPENSE

If you are a member of the armed forces on active duty and you move because of a permanent change of station, then you are entitled to a deduction for reasonable un-reimbursed moving expenses related to travel and the cost of moving household goods and personal effects.

TRAVEL EXPENSES

You are able to deduct un-reimbursed work-related travel expenses when you are traveling away from your permanent duty station. You cannot deduct expenses related to travel overseas when you are stationed there, or when you are traveling for personal reasons. You are considered away from home when you are away from your permanent duty station for longer than an ordinary day's work and you need sleep or food. Eligible expenses include business-related meals, lodging, laundry, and business phone calls.

If you are a member of a reserve component of the armed forces that must travel more than 100 miles away from home in connection with your service, then you can deduct your travel expenses as an adjustment to income.

TRANSPORTATION EXPENSES

The costs of traveling from one workplace to another, attending a business meeting away from your regular workplace, or traveling away from home overnight can be deducted from your income. However, the expenses of commuting to your regular place of work are not deductible. For reservists, if a meeting of a reserve unit is held on a day of regular work, then related travel expenses are deductible.

UNIFORM EXPENSES

Generally, these are not deductible, except when regulations prohibit you from wearing uniforms off duty. In this case, you can then deduct the un-reimbursed cost and expense of upkeep of the uniforms. According to the IRS, examples include:

- Military dress uniforms and utility uniforms that you cannot wear when off duty
- Articles not replacing regular clothing such as insignia of rank, epaulets, and swords
- Reservists' uniforms if they can only be worn while performing reservist duties

PROFESSIONAL DUES

You can deduct dues paid to any professional society that is directly related to your military position (ex. engineering society), but you cannot deduct dues paid to an officers' club or a noncommissioned officers' club.

EDUCATIONAL EXPENSES

You can deduct the cost of work-related education as long as it meets one of two qualifying criteria as defined by the IRS:

- It is required by your employer or the law to maintain your salary, status or job. This must also serve a bona fide business purpose of your employer.
- It maintains or improves skills needed in your present work.

In both instances, this education cannot be used simply to meet minimum job requirements or cannot be used to find a new trade or business. With some exceptions, travel and expenses for obtaining this education can also be deducted.

HIGHER MORTGAGE RATES, HOME SALES, PRICES FORESEEN FOR 2017

By Alex Veiga
The Associated Press

Nate Lowenstein has been shopping for a home in Los Angeles, on and off, for more than a year. His search has been stymied by a stubbornly low roster of homes on the market and the hurdles that come with it: multiple competing bids and higher prices.

"It's not a great market, from a buyer's perspective," said Lowenstein, a lawyer. "The one good thing is that interest rates were quite low."

As recently as last summer, homebuyers had ultra-low mortgage rates on their side. It was good news for any borrower, but especially for those in expensive housing markets like Los Angeles, Boston and Seattle.

That was then. While mortgage rates remain very low by historical standards, they've risen sharply over the past couple of months, with the average rate on a 30-year fixed-rate mortgage reaching 4.2 percent at the start of the new year.

Economists predict that mortgage rates will continue to climb this year, just one of the trends that suggest that 2017 will be a more challenging year for homebuyers.

"With higher mortgage rates, you're increasing the cost, challenging the budgets, challenging the ability to qualify and, as a result, likely reducing somewhat the pool of potential buyers," said Jonathan Smoke, chief economist for Realtor.com.

So far, the rate increases haven't begun to worry Lowenstein, who is in the market for a house with at least three bedrooms in L.A.'s affluent west side.

"We're not priced out yet," Lowenstein said. "But if it goes up to 5 percent or 6 percent, at some point we would be."

Long-term mortgage rates tend to track the yield on the 10-year U.S. Treasury note. The yield goes down when investors bid up bond prices, as they did following last summer's vote in Britain to exit the European Union. The move sent long-term mortgage rates tumbling as low as 3.41 percent.

The reverse happened after Election Day. Investors bet that a Republican-controlled White House and Congress will have a clear path to implement policies that will drive inflation and interest rates higher. A sell-off in U.S. bonds drove the yield on the 10-year Treasury note in mid-December to the highest level in more than two years, and mortgage rates have floated higher with the tide.

But will they continue to do so?

> **With higher mortgage rates, you're increasing the cost, challenging the budgets, challenging the ability to qualify and, as a result, likely reducing somewhat the pool of potential buyers.**
>
> *Jonathan Smoke, chief economist for Realtor.com*

Smoke predicts mortgage rates will reach 4.5 percent in 2017. Other economists expect rates to remain above 4 percent but not to go beyond 5 percent this year. That range would mean mortgage rates that would be low compared with the past decade.

Average long-term mortgage rates were above 6 percent during the height of the last housing boom, and they hadn't hit 5 percent before 2008.

So someone looking to buy a home in the next few months doesn't need to panic, said Svenja Gudell, chief economist at Zillow, a real estate information company.

"My advice to buyers would be to not freak out and feel a sense of urgency," she said. "If you aren't able to buy a house at 4.5 percent, you probably weren't able to buy a house at 4 percent."

The stakes are a bit higher for buyers in expensive markets, where housing can eat up a much larger share of household income.

If mortgage rates continue to climb, there are moves that would-be homebuyers can make to better offset some of the higher borrowing costs.

Consider lowering the interest rate by paying a fee to the lender up front, something known as buying down the interest rate. Or go with an adjustable-rate mortgage, which has a low fixed rate for a few years, typically five or 10, then adjusts to a higher rate.

Another move: Ask the seller to pay the buyer's closing costs. That can free up more cash for buyers to manage the higher borrowing costs.

Higher mortgage rates could have one silver lining: As some buyers are priced out, sellers may have to be more flexible on prices. Over time, that could help stem home prices.

Low inventory and strong demand helped increase prices in 2016 at the fastest pace in 10 years, according to an analysis by Zillow. The company predicts that U.S. prices will increase about 3 percent on average in 2017, down from a gain of about 6.5 percent last year.

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A FINANCIAL GUIDE FOR PCS 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, 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

HOW TO SPEND MORE MINDFULLY IN 2017

Thinking before you buy can help lead to better money choices

By Bev O'Shea, NerdWallet

Mindfulness and meditation can ease chronic pain, anxiety and depression. Now some money experts say awareness tools such as these can help you avoid impulse purchases and create a spending plan that reflects your values.

There's no single definition of mindfulness, but Leah Weiss, who teaches leading with mindfulness and compassion at Stanford University's Graduate School of Business, says it can be viewed as "the intentional use of attention."

You may want to save every penny, buy only "Made in USA" items or reduce what you send to the landfill. Mindfulness can help you make conscious choices so your everyday purchases live up to that goal.

CHECK YOUR SPENDING HABITS

Financial planner and educator Carrie Schwab-Pomerantz recommends starting with a "financial cleanse" to get a handle on where your money is going. Use cash to cover day-to-day expenses for one month. It's more painful to part with cash than to pull out plastic, so you'll build awareness.

Other ways to resist mindless buying:

- **Wait a day, or a week.** Schwab-Pomerantz says taking time to think before you spend is often enough to get past temptation. If you simply cannot wait, she advises buying from a retailer with a good return policy. If you realize you made a mistake, a refund will help more than store credit.
- **Don't tempt yourself.** Avoid the places where you tend to buy on impulse. If you're already in the parking lot of such a store, take a few deep breaths and remind yourself why you're there and what your intentions are, Weiss recommends.

MINDFULNESS

USE AWARENESS TOOLS TO AVOID IMPULSE PURCHASES AND CREATE A VALUES-BASED SPENDING PLAN.

DEVELOP THE SKILL OF PAYING ATTENTION

Paying attention helps you pause and think before buying. Trying some simple exercises can help you get better at it.

Meditation — sometimes as little as five to 10 minutes a day of focused breathing — has been shown to affect areas of the brain that control attention, emotion and habit, says Cortland Dahl, a research scientist at the University of Wisconsin's Center for Healthy Minds. If you want to stop making mindless or money-wasting choices, meditation may help build the "muscle" that enables you to pay attention to your thoughts.

Money is a limited resource for most of us, and thinking — or thinking twice — can help us make conscious choices.

KNOW WHAT YOU WANT

Certified financial planner Carrie Van Winkle, of Louisville, Ky., uses a "vision board." She gathers photos and words representing her goals for the year into a display on her refrigerator. It's a daily reminder of the kind of spending most likely to bring her joy. You can make it as simple as a photo of a vacation destination or a snapshot of your kids to remind yourself you want to save for college or improve the world they live in.

The more specific your goals, the more likely you are to act on them, Weiss says. "'I want to be a conscious consumer' is vague," she says. "But, 'I want to pay attention to the ecological impact of what I buy and choose items that can be recycled' is more specific."

Brent Kessel, a certified financial planner and the author of "It's Not About the Money," offers this exercise: Imagine your finances a year from now. What changes in how you use money would you feel good about? Maybe you turn a spendy habit into a once-in-a-while treat, then use the savings to get on a plane to visit a friend or relative or raise your 401(k) contribution.

MAKE SPENDING MORE MEANINGFUL

Kessel recommends tracking your spending to figure out what you value and what you're likely to regret. Write down what you buy, then note how you felt about it 24 hours later, three days later and a week later. Did your purchase do what you expected it to? Did those new workout clothes inspire you to go to the gym?

Patterns should emerge that will help you make wiser choices over time.

Change is slow, Kessel says. He compares it to a supertanker turning one degree each day. It won't appear to have altered course 24 hours later, but in six months it will be headed in the opposite direction.

"Give yourself huge props" if you take a baby step toward reversing a habit. "We need kindness and love," he says. "We don't change our behaviors by punishment."

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FIVE STEPS TO BUILDING A BETTER BUDGET

Creating a plan can save you big money in the long run

By Stanley J. Kershman, Military.com

Everyone's heard the same advice over the years. Budgets are like road maps: If you plan your route to financial success, you'll get there faster and with a lot less arguing over wrong turns. Well, it turns out that it's absolutely true.

Spending a little time creating your budget can save you big money, simply by identifying where the money's going and where it needs to go (because they're not always the same direction). Here's how to get started, in five easy steps:

STEP ONE: TRACK YOUR SPENDING

Write down everything that you spend for a month. Sure, it's going to feel like a pain. But carry a notebook with you, create as many categories as you need for your different expenses, and jot them all down — from the parking meter coins to the rent or mortgage payments.

STEP TWO: ADD IT UP

Now, tally the results. If you're like most people, you'll be shocked at the difference between what you think you spend and what you actually do spend. Maybe it's the daily lunches or the lattes — but at least you now know where the money's going.

STEP THREE: SORT IT OUT

Separate each category of your expenses into fixed (the ones that have little or no flexibility, such as mortgage/rent, loan payments, utilities, insurance payments, etc.) and variable (the ones that you have more control over, including groceries, clothing and entertainment). Multiply them by 12, to provide annual spending figures. Also include the expenses that might come just once or twice a year, such as vehicle registration or school fees.

STEP FOUR: FIND YOUR BALANCE

You've created an excellent record of your spending. Now you need to compare it to your income: paychecks, investment earnings, child-support. List all of the money that's coming in every month and multiply it by 12 to obtain your annual income. Now, how does your spending compare to your income?

STEP FIVE: PLAN

Here's where you put it all together. Money in, money out, and your goals, whether they're paying down your debt, saving for vacations or planning for college or retirement. Put a dollar figure on those goals. For example, how much do you want to pay down your debt each year? Most important, does your current income and spending allow room for meeting those goals?

If the answer is no, don't panic. Simply look at ways to either increase your income or decrease your expenses (or both). Juggling the expenses in particular (deciding to brown-bag it to work four days out of five, for example) can create enough wiggle room to help you achieve your goals.

SECRET BUDGET TIPS

TIP #1: The only people your budget has to work for are the members of YOUR family — which means that involving all of your family members in the budget process, in an age-appropriate manner, is an excellent way to boost the budget's success.

TIP #2: Don't try to do your entire budget all at once. Take a few days, or even weeks if you need to. Break the work down into manageable pieces.

TIP #3: Start your own "rewards" program with your savings. If you save $10 a week by not buying lottery tickets, for example, celebrate your budgetary success by going out to a movie once a month — you'll be spending part of it on yourself, which is a great incentive to continue saving, but you'll still have money left over to put toward savings or other goals.

TIP #4: Even your fixed payments may have some flexibility. Think about refinancing your home to reduce your mortgage payment or extend the amortization period. Or, consider lowering your debt payments by obtaining a consolidation loan.

THE ABC's OF MONEY MANAGEMENT FOR MILITARY KIDS

By Holly Petraeus
Consumer Financial Protection Bureau

As a military family, there are many opportunities for parents to teach their children money management lessons. The lessons aren't hard to teach. Parents can start with a few basic guidelines that are as easy as A, B, C.

A: Always play to their strengths

Adaptability is one of the strengths of military children. Frequent moves will do that! If your family is changing duty stations, talk to your kids about how the cost of living might change from your old base to the new one. Give them an opportunity to come up with ideas about how to manage the new costs of some of the family's activities or expenses. Your kids can benefit from hearing your thoughts as you plan for a move.

If you're not moving, consider giving them some of the details about your budget and the ways you prioritize spending or saving. They can learn by seeing how you make decisions and trade-offs, and it can help them understand why you can't buy items they really want right now.

B: Be age-appropriate

If you give your 5-year-old and 15-year-old each a $20 bill, would they spend it on the same thing? Probably not, because your children have different age-related ideas of what could be done with $20. The same rationale applies to how

children learn about money.

You can focus on helping your children develop consistent money management habits through three main developmental stages: Pre-elementary school (ages 3 to 5); elementary to middle school (ages 6 to 12); and high school and young adulthood (13 and beyond). Since they're constantly observing you, create opportunities for them to observe you making decisions on things like spending, earning, sharing, borrowing, and of course, saving. Give them the chance to think through and practice some of those concepts themselves through everyday activities.

For instance, you might let your 5-year-old "help you decide" whether the family gets more for its money by buying a bag of their favorite cookies or a gallon of their favorite ice cream for a midweek dessert. For teenagers who might have had their first summer job, take the opportunity to help them understand how far their post-tax earnings will go toward the small things they want to buy now and the big purchases they'll need to start saving for. You can also help your college-bound children by "war-gaming" scenarios that let them think through different money situations they might face at school such as signing up for their first credit card or making a budget for rent and groceries.

C: Cash in on your environment

A transfer to a duty station overseas, where the money is different, can be a great opportunity to get your child thinking about the value of money and what it will buy. Whether it's a dollar, euro, or a yen you can use conversations about different currencies as an opportunity to talk about money.

For example, I remember when we were in Europe (before the euro), my first-grader brought me a handful of German, Belgian and U.S. coins and asked what I would give her for them in dollars. The calculator definitely came into play, and it was also an opportunity to have a conversation about what she wanted to spend the money on and whether it would be better to spend it or save it.

You can also take advantage of base resources like your installation's Personal Financial Manager or family resource center to get sound advice on ways to teach your kids about money management while honing your own skills.

Whether you're the parent of a new kindergartner making the transition to a "big kid school," or a college-bound teenager starting the transition to adulthood, there are plenty of moments that can help you teach your children lessons about money management. But remember, a lot of good habits can start at home. Regardless of what they learn in school this year, they can learn many important life lessons by watching you, and smart money management can be one of those lessons.

YOUR NEXT CREDIT CARD: WHAT A GOOD OFFER LOOKS LIKE

By Gregory Karp, NerdWallet

Today's competitive credit card market has turned lucrative for consumers, meaning what would have been a good offer just a few years ago no longer measures up.

For example, 1 percent cash back for credit card spending is no longer competitive. Zero-percent interest for a year may sound generous, but today it's lackluster. The best offers include sign-up bonuses, rewards and no-interest deals to manage your debt. Many cards have no annual fee, but if you pay one, you should expect superior rewards.

Each credit card issuer is trying to create a mix of benefits that attracts customers they value most — those who pay their bills on time and spend a lot, says Robert Hammer, founder and chairman of R.K. Hammer, a credit card industry consulting and research firm.

"There are so many more choices today than ever before. There's almost a product for every credit score," Hammer says.

Still, just because a card offer comes in the mail, runs entertaining TV ads or is pushed by your bank doesn't mean it's a wise choice. Here's what a good deal looks like for three basic types of cards, assuming you have good credit.

CASH REWARD CARDS

Many rewards cards offer 2 percent to 5 percent cash back on specific categories of spending, such as gas, dining out or travel, while paying just 1 percent on everything else. But some programs can be complicated, especially those with rotating bonus categories. Simpler, and potentially more lucrative in the long run, is a flat-rate cash-back card. You get the same rewards rate regardless of what you're paying for, whether it's a book on Amazon.com or an insurance copay at your doctor's office.

Benchmarks to look for:

- **At least 1.5 percent cash back on everything.** If you charge $1,000 per month on your card, you'll get $60 more cash back per year than you would with a 1 percent card.
- **No annual fee.** Exceptions: If you want outsized rewards or have only an average credit score, you might have to pay a fee.

Power user tip: If you're willing to add complexity, combine a flat-rate card with one that offers bonus cash back in certain categories. Then use whichever pays the higher rate for a given purchase.

DEBT MANAGEMENT CARDS

Many credit cards offer no-interest periods on balance transfers and even new purchases. If you carry a hefty balance and need breathing room to pay down that debt without finance charges, this is the type of card to explore.

Benchmarks to look for:

- **At least 15 months of no interest.** Cards that offer a year at zero percent are no longer competitive, with dozens offering 15, 18 or even 21 months.
- **Balance transfer fee of no more than 3 percent of the amount transferred.** A few cards don't charge a fee to transfer balances, but most do.
- **No annual fee.**
- **Interest rate under 15 percent.** Credit card rates vary widely depending on your creditworthiness and prevailing rates. But if you have excellent credit, look for an ongoing rate — after a 0 percent period — as low as 11 percent. At credit unions, you might find a rate under 10 percent.

TRAVEL REWARDS CARDS

Travel cards often have annual fees and large sign-up bonuses. Some are hard to evaluate because their rewards programs are complicated and they offer perks that mean more to some people than to others, such as airport lounge access or free checked bags.

Benchmarks to look for:

- **No foreign transaction fee.** Paying no surcharge for purchases abroad should be standard for a travel card.
- **Sign-up bonus worth at least $200, after subtracting the annual fee.** Miles or points bonuses vary from 20,000 to 100,000. When in doubt, value miles or points at a penny each, though actual values vary depending on what you redeem them for. Currently, the average bonus for a miles card is more than $425, according to NerdWallet data.
- **Benefits that offset the annual fee.** Many travel rewards cards have an annual fee, some as high as $450. Some issuers waive the fee for the first year, giving you a chance to try the card for free. The key is to reap more value from the card than you pay in annual fees. The sign-up bonus plus any perks with obvious cash value, such as reimbursement for travel expenses, should pay for at least three years of the card's annual fee.

Of course, some decent cards will be exceptions to these guidelines. Just make sure they have good reasons for falling short and provide other benefits instead.

ARE UNPAID DEBTS A MILITARY CAREER-KILLER?

By Holly Petraeus
Consumer Financial Protection Bureau

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

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

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

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

If you find that your finances have put your security clearance in jeopardy, you should do your best to show that your financial problems resulted from circumstances beyond your control (not a pattern of irresponsible behavior) and that you acted as responsibly as you could under the circumstances. This may include showing that you're currently living within your means, that you're making a good-faith effort to resolve your unpaid debts, and that you're disputing debts that aren't yours.

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

If you do receive notice that your security clearance eligibility is being denied or revoked, Defense Department regulations give you the right to a hearing before an Administrative Judge of the Defense Office of Hearings and Appeals. This hearing is your opportunity for a face-to-face meeting with an official, independent of your chain of command, to explain your situation and the steps you've taken to address the issues identified in a written Statement of Reasons.

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

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

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

Check out the DOHA website for more information on hearings.

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

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

DON'T GET TAKEN FOR A RIDE

Protect yourself from an auto loan you can't afford

By Daniel Dodd-Ramirez and Patrice Ficklin, Consumer Financial Protection Bureau

A vehicle may be a lifeline for you or your family if there are no local employment opportunities or inadequate public transportation options. For some, access to affordable vehicle financing is necessary when it comes to stable employment, health care, and education opportunities. Even though your vehicle can help you to access economic opportunities or achieve financial independence, it can quickly become a financial burden if you don't learn how to protect yourself from getting stuck with an auto loan you can't afford. Here are four ways you can protect yourself:

1. Be prepared before you shop for an auto loan.

You can't always plan the timing of purchasing a new or used vehicle, but you can take steps to prepare. Not being prepared can potentially cost you hundreds or thousands of dollars over the life of the loan.

Check your credit score before shopping for an auto loan and make sure your credit report doesn't have any errors so you can negotiate the best rate. You may be able to take some steps that will help you raise your score in a relatively short period of time. A better score will secure a lower interest rate and reduce the amount of money that you end up paying.

Take an auto loan worksheet with you to the lender or auto dealership to compare the total cost of different financing options. The first step is to record each loan offer and compare them using interest rate and length of the loan. This might take some time, so plan ahead.

2. Know what you can negotiate.

Just like you can negotiate the price of the vehicle, you can also negotiate your loan terms. You can negotiate for a better interest rate, the length of your loan, additional fees, optional add-ons, and some dealer fees.

3. Avoid long-term loans if you can.

When comparing your offers and negotiating a loan, it's important to know if you can afford the monthly payment, but be sure you look at the total cost of the loan. A smaller monthly payment may mean the loan is extended over a longer period of time — 72 months or more, instead of 48 or 60 months. If your income or job is not secure, having an extended loan is a risk as you could lose the ability to make monthly payments in the future. For older vehicles, a longer loan could be a problem if the life of the loan is longer than the expected life of the vehicle.

4. Review your loan contract before signing.

Before you sign your new loan contract, make sure everything matches what you agreed to during the negotiation. Consider reviewing with a friend or partner to help you review all of the paperwork before signing the loan documents. Lenders are required, under the federal Truth in Lending Act (TILA), to give you written disclosures about important terms before you're responsible for the loan.

Check the Annual Percentage Rate (APR), and the amount financed, as well as the finance charge and total of all your payments. Some dealers will allow the customer to take possession of the new vehicle before the loan is approved by the lender. This could put the loan that you thought you had at risk. Before you drive away, make sure you and the lender have both signed all of the paperwork and that you have copies of each document.

SAVING A LITTLE EXTRA MAKES A BIG DIFFERENCE TO RETIREMENT

By Sarah Skidmore Sell
The Associated Press

New Year's resolutions can be invigorating.

It's a brand new year and a chance to do things right. As such, some resolutions tend to show up again and again on lists, such as save more, spend less and lose weight.

A key to making resolutions stick though is to make the goals concrete. So if saving more is your aim this year, try this more specific goal on for size — set aside just 1 percent more for retirement.

Here are a few reasons why:

IT'S EASY: "People sometimes get overwhelmed thinking about it (retirement saving), so we are trying to chunk it up for them," said Christine Marcks, president of Prudential Retirement, which is urging people to pledge, in person or online, to save 1 percent more in 2017 toward their retirement.

The general rule of thumb is to save 10 to 15 percent toward retirement, but that is often too much off the bat. So start small and try it out — you can add another percent each year if you want.

It doesn't take much time either. You can have withdrawals automatically made from your paycheck or checking account, and setting up the process can take just minutes.

IT WORKS: "The fact is, people who make resolutions on money matters tend to feel better about the state of their finances and are generally in better financial shape than those who don't," said Ken Hevert, senior vice president of Retirement at Fidelity Investments.

Saving just 1 percent more can make a big difference.

Fidelity gives the example of someone at age 25 who earns $40,000 a year. If they add an extra 1 percent monthly to a 401(k), that's only an extra $33 a month, but it will mean an added $3,970 at retirement. And it adds up, no matter the age. At age 45, someone earning $70,000 a year is going to have an added $1,880 each year in retirement if they increase their savings by 1 percent now.

> **BY SAVING 1%, SOMEONE EARNING $70,000 A YEAR IS GOING TO HAVE AN ADDED $1,880 EACH YEAR IN RETIREMENT**

This minor adjustment also removes another major hurdle for some savers: affordability. The 1 percent savings, which may be pretax, is often so small that it the change is barely detectable in your monthly income.

IT'S SCALABLE: This is a goal you can build on.

If you are already saving, great. But odds are good you could be saving more, so why not nudge it up? If you aren't saving at all, this is an easy place to begin. You can easily add another 1 percent each year. Or if it feels comfortable, bump it up a notch later in the year. It doesn't have to be painful.

Plus you get the bonus of seeing your contributions grow, which can provide the positive feedback you need to make better choices down the road.

4 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 for 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 always 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.

ADVERTORIAL

You can't take it with you!

SGLI - You can't take it with you! Purchase inexpensive group term life before you're discharged.

When you separate from the military, you lose some valuable benefits, one of which is your Servicemembers' Group Life Insurance (SGLI) coverage. Life insurance will cost you less while you are still in the military, so it makes sense to buy before you get out.

Term 90 Plus from Military Benefit Association (MBA) has several features that make it an attractive alternative to SGLI and VGLI. Compare these benefits!

Coverage up to:

SGLI	$400,000
MBA Term 90 Plus	$1 Mil

Spouse Coverage:

SGLI	$100,000
MBA Term 90 Plus	$1 Mil

Child Dependent Coverage:

SGLI	$10,000
MBA Term 90 Plus	Up to $12,500 at no cost; additional $25,000 available

Portability From Military to Civilian Life:

SGLI	VGLI offered at higher premium
MBA Term 90 Plus	YES with no increase in premium due to discharge

Membership Enhancements:

SGLI	NO
MBA	YES

We want you to compare MBA Term 90 Plus rates with SGLI, VGLI and other military associations.

Military Benefit Association is a non-profit association of military members and their families. We sponsor an attractive portfolio of services and benefits for our members, including special discounts on financial, health, education, career, travel and insurance services. For more information, call 1-800-336-0100, or visit us at www.militarybenefit.org.

☆ Army ☆ Navy ☆ Air Force ☆ Marines ☆ Coast Guard

You answered the call to protect your country.

Now call 1 877-MBA-1020 to help protect your family.

As an active or former member of the military, you've been trained to secure the country. Our job is to help you secure your family. We're Military Benefit Association, former military personnel who know life insurance is the single greatest way to protect your family's financial future.

For as little as $2.50* a month, you can get coverage of $50,000. Need more? Coverage goes up to $1,000,000. Make sure you have the right amount. Talk to us today. We'll help you get what's right for your family.

Get coverage. Be a member. Put experts on your team.

Call 1 877-MBA-1020 promo code 459

Visit militarybenefit.org/459

Life insurance underwritten by MetLife

*The $2.50 rate is the non-tobacco user rate for members up to age 29 for $50,000 (1 unit) of coverage, as of 1/1/16. Like most insurance policies, MetLife's policies contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Coverage not available in all states (AK, MT, ME, NH, NV, OR). Offer for Term 90 Plus coverage only; certain eligibility restrictions apply. For complete plan costs and details contact MBA. ©2016 Metropolitan Life Insurance Company, New York, NY L0515425083[exp0517][All States][DC,GU,MP,PR,VI]

THE UNIFORMED SERVICES
BLENDED RETIREMENT SYSTEM

ARE YOU OPT-IN READY?

BRS Opt-In Eligible?

- **Eligibility**
  - Active component with less than 12 years of service as of Dec. 31, 2017
  - Reserve component who have accrued less than 4,320 retirement points as of Dec. 31, 2017
- **Opt-In Period**
  - You can opt into BRS anytime between Jan. 1, 2018 to Dec. 31, 2018
- **Resources:**
  - Mandatory opt-in course on Joint Knowledge Online (JKO)
  - Installation Personal Financial Managers/Counselors
  - MilitaryOneSource.mil
  - Militarypay.defense.gov/BlendedRetirement

Active Component as of Dec. 31, 2017, with Less than 12 Years of Service?

Reserve Component in a paid status and as of Dec. 31, 2017 with Less than 4,320 Retirement Points?

CY 2018: Opt-In Eligible Service Members Decide Which Retirement Plan to Choose

BANK

There are Resources to Help You:

- Opt-In Course on JKO
- Installation Personal Financial Managers and Counselors
- www.militarypay.defense.gov/BlendedRetirement
- www.militaryonesource.mil

Make an Informed Decision for your Financial Future

- Anyone serving as of Dec. 13, 2017, is grandfathered into the legacy retirement (high-3) system
- The opt-in window for BRS is Jan. 1, 2018 - Dec. 31, 2018

RETIREMENT PLANNING FOR ALL AGES

Persistence, planning go a long way toward building financial security at any stage

Mitch Swanda, Military Times

With the average life expectancy 30 years longer today than it was 100 years ago, saving adequate funds to live comfortably through a long retirement has become more challenging.

Consider the following four snapshots of typical families in their 20s, 30s, 40s, and 50s. Compare their stories to your own to determine whether you're on track to retire with financial security.

20's — Matt, working with wedding bells on the way ...

When Matt graduated from college, saving money was the last thing on his mind. But now that he's about to tie the knot, Matt is taking a careful look at his finances.

Budgeting, eliminating debt and building an emergency fund with three to six months of basic living expenses should top Matt's list of goals. Staying out of debt and having funds in savings provides financial flexibility.

In addition, workers in their 20s should begin contributing to a retirement savings plan, such as a Roth IRA. Military members also can contribute to the government's Thrift Savings Plan.

When deciding how to invest your retirement savings, consider a diversified portfolio with most of your money in no-load stock mutual funds. You should have plenty of time to ride out market downturns; however, determine your market risk tolerance before investing.

30's — Charles, Chief Petty Officer in the U.S. Navy, and his wife Karen, a nurse, with one child and another on the way...

Charles and Karen set aside enough savings to buy their first home, but they have less than $10,000 saved for retirement. Although Charles has a military pension, it won't be enough to replace their two incomes. Like many couples in their 30s, they're faced with dual challenges: saving toward retirement and for their children's college education.

Couples in their 30s should save 10 to 15 percent of pre-tax income in tax-deferred retirement plans, with anything extra going to college savings. Keep in mind that your child may be eligible for financial aid to help pay for college.

With 25 years or more before retirement to weather the ups and downs of the market, consider keeping stock mutual funds as the focal point of your portfolio to help reach long-term savings goals.

If you own a home and have children, make sure that basic estate planning documents, such as a will, are in place. It's also important to obtain enough life and disability insurance to protect your family.

40's — Frances, teacher and ex-military spouse, with two children and one in college...

More than half of all American marriages end in divorce, yet the financial implications are anything but routine.

During her married years, Frances left the family finances to her husband. Although she returned to teaching full-time after her children were teenagers, she and her husband directed all of their retirement savings to his Thrift Savings Plan account. Half of that account will become hers because of the divorce settlement, but she has saved nothing on her own for retirement.

Creating a financial plan to manage expenses and save for retirement should be a priority. On your own at 40, living expenses are likely to rise because you're establishing a separate household. At the same time, you should budget a minimum of 10 to 15 percent of your pre-tax income for retirement savings, and increase the percentage of fixed-income investments in your portfolio. Also, review your estate plans and update beneficiaries on life insurance policies and retirement accounts.

50's — Vincent, a colonel in the U.S. Air Force, and wife Nancy, part-time entrepreneur, with three grown children and one grandchild...

After 29 years of active duty, Vincent is one year away from military retirement and facing many uncertainties. His biggest question: Can he afford to retire or should he start a new career and continue to save, especially since Nancy has no retirement savings of her own?

Vincent and Nancy must determine exactly how much money they'll need during retirement and whether their income sources and investments will meet this need.

For people in their 50s, there are a few options to make up the difference if savings fall short of retirement goals: continue to work and save, reduce your income goal, or try to increase returns by accepting greater risk with a more aggressive portfolio.

Luckily, Vincent and Nancy have time to close the gap. Vincent can find a new job and contribute the maximum to his new employer's retirement savings plan. And Nancy can open a Simplified Employee Pension (SEP) IRA and contribute 20 percent of the earnings from her part-time business.

On track at any age

Regardless of your age, certain strategies can raise the odds that you'll reach your retirement goal:

- Learn to live below your income.
- Consider tax-advantaged savings through plans such as the military's Thrift Savings Plan and/or a Roth IRA.
- Review your asset allocation annually and make adjustments as needed.
- Do not borrow against your retirement savings.

The challenges on the road to retirement are great, but persistence and planning, including conducting a formal retirement analysis for your unique goals, go a long way toward building financial security at any age.

THRIFT SAVINGS PLAN

What to know before you invest

Military.com

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

WHAT ARE MY RETIREMENT NEEDS?

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

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

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

WHAT IS MY TIME HORIZON?

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

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

HOW MUCH RISK AM I WILLING TO ACCEPT?

Think about the type of investor you are.

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

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

HOW MUCH RISK AM I ABLE TO ACCEPT?

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

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

HOW MUCH DIVERSIFICATION DO I NEED?

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

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

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

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

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

Short on cash and considering a pension advance? Not so fast.

Federal Trade Commission

Pension advances, also known as pension sales, loans, or buyouts, require you to sign over all or some of your monthly pension checks for a period of time — typically five to 10 years. In return, you get a lump sum payment, less than the pension payments you sign over. So, unlike other types of cash advances or loans, taking out a pension advance means signing over money you need to live on.

Pension advances aren't cheap: The transactions often include fees that can push the effective annual percentage rate (APR), the cost of credit on a yearly basis, over 100 percent. In addition, retirees often are required to buy a life insurance policy — with the pension advance company named as the beneficiary — to insure that the repayments continue.

Questions to ask

If you're considering a pension advance loan, get answers to the following questions:

What are the costs? Be aware of all costs and fees. Ask for the APR, which is based on several things, including the amount you borrow, the interest rate and credit costs you're being charged, and the length of your contract. This information may not be disclosed in ads or contracts, so it's important to ask and get it in writing. In addition, there may be other costs or fees, including commissions and life insurance.

Do you have to buy life insurance? Some pension advance companies may require you to buy a life insurance policy naming them as beneficiary. If you die before all the payments you assigned have been received, funds will be paid out from the life insurance policy to cover any remaining balance.

What are the tax implications? Getting a large lump sum can put you in a higher tax bracket. Consult with a tax advisor for information and advice.

Can you cancel the transaction? Maybe not. Some pension advance companies might not let you cancel once you've completed the deal. Make sure you ask the company about its cancellation policy, before you sign the contract, so you know what you're getting into.

Are there complaints about the company? Your local consumer protection agency, state Attorney General's Office, and the Better Business Bureau can tell you whether any complaints have been filed about a company. Just keep in mind that a lack of complaints doesn't mean the business is on the up-and-up. You may want to do an internet search with the name of the company and words like review, scam, or complaint. Look through several pages of search results.

Alternatives to pension advances

Before you decide to take an advance against your pension, weigh your options.

Consider a small loan from your credit union or a small loan company. Some banks may offer short-term loans for small amounts at competitive rates. A cash advance on a credit card also may be possible, but it may have a higher interest rate than other sources of funds: find out the terms before you decide. In any case, shop first and compare all available offers.

Shop for the offer with the lowest cost. Compare the APR and the finance charges, which includes loan fees, interest and other costs.

If you're considering a pension advance because you're having trouble paying your bills, **contact your creditors or loan servicer as quickly as possible and ask for more time.** Many may be willing to work with consumers whom they believe are acting in good faith. They may offer an extension on your bills; make sure to find out what the charges would be for that service — a late charge, an additional finance charge, or a higher interest rate.

Contact your local, non-profit consumer credit counseling service if you need help working out a debt repayment plan with creditors or developing a budget. These groups offer credit guidance to consumers in every state for no or low cost.

MakingCents

Make Financial Decisions With Confidence

MakingCents helps you take charge of your financial goals through self-paced, customized learning. No matter where you are in life, you'll be prepared to make the decisions that matter most.

Select one or more goals and learn as you go. Start and stop anytime—we'll save your spot.

- Buy a home
- Improve personal finances
- Pay for college
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