Financial Management

April Thorstad
Personal Financial Counselor (PFC)

Joint Family Support Assistance Program (JFSAP)

1850 E. Bismarck Expressway, Bismarck, ND 58504
Office (701) 333-4813
Cell (701) 897-1239

AThorstad@MFLC.Zeiders.com

Careful financial planning is the key to managing a limited income. There are courses offered at the FSC, along with counselors who can assist you with doing some financial management planning. If you are a Guard or Reservists and are not located near a military installation, Military OneSource can offer assistance with financial management by contacting 1-800-342-9647 or www.militaryonesource.com

There are personal financial management specialists and subject matter experts on these topics available at the Military & Family Support Centers and other locations on the installation. If you want to research some of the financial information on your own, you can use military.com, tsp.gov or www.defenselink.mil/militarypay. I suggest you write these down on your DD 2648 now. Also, the Servicemember's Civil Relief Act provides a wide range of protections for individuals on active duty.

If you are considering separating from the military prior to retirement, you need to carefully compare your current benefits to what is available in the civilian sector. These benefits include paid days off, paid holidays, enlistment bonuses, tax- free portions of pay, retirement age, pension plans, health care and retirement health care plans. There are excellent resource tools and planning material located in the DoD Career Decision Toolkit available at www.TurboTAP.org

Let's talk about the Thrift Savings Plan or TSP. This is a retirement/savings plan with the purpose of providing retirement income. It involves a defined contribution plan that is similar to a 401K retirement program. The retirement income received from a TSP account will depend on how much you will have contributed during your working years and the earnings those contributions generated. In addition, unlike participation in the uniformed services retirement system, participation in the TSP is optional.

The amount that is contributed into the plan and the earnings you receive belong to you, even if you do not serve the 20 or more years ordinarily required to receive uniformed services retirement pay. If you have a vested account balance of $200 or more after leaving military service, you can leave the money in the TSP until later, or you can withdraw the account at anytime. If you have less than $200, TSP will automatically send a check for the amount and close the account.

There are two types of post-separation withdrawals, a partial and a full withdrawal.

1. A partial withdrawal is taking out $1,000 or more and leaving the rest in the account until withdrawing at a later date.
2. A full withdrawal can be made in three options: a single "lump sum" payment, series of monthly payments or a TSP life annuity. There are withdrawal deadlines you need to be aware of. If you have a TSP account and are interested in withdrawing from your contributions you need to see the TSP representative on base, or go to www.tsp.gov.

Another topic you should know about is the Survivor Benefit Plan, or SBP. SBP is specifically for retirees and all active duty military members are automatically covered under SBP at the full amount while on active duty. This changes upon separation and retirement.

Basically, when you die, your retirement pay stops. This means that the survivors will be left without a substantial income source. SBP is an optional insurance plan that will pay the surviving spouse a monthly payment, or annuity, to help make up for the loss of retirement income.

There are, of course, alternatives to SBP such as investments, permanent and term life insurance. You and your spouse are equally responsible for the SBP decision. The member may not reduce or decline spouse coverage without the spouse's written consent. Coverage may be selected for a former spouse or, if the member does not have a spouse or children, they may be able to cover an "insurable interest" (such as, a business partner or parent). Single service members must also make this election.

Election of SBP is an important financial decision and should be considered carefully. The spouse will be required to sign the SBP Election Form and should be included in the decision making process. If you are divorced, review your Divorce Decree to determine if the court requires you to elect coverage

Failure to accept or decline coverage will result in you being automatically covered at the full retirement pay amount. There are many resources to help you make informed decisions about this plan, including talking to the Legal Office and the Family Service Center Financial Counselor.

Participants in the SBP will be required to pay a monthly premium for this plan. SBP Premiums and benefits are based on the "base amount" or benefit level elected.

As you can see getting as much information about your financial management plan is one of the most important aspects of your separation from the military. Visit www.tsp.gov, or the Thriftline at 1-877-968-3778, www.military.com or www.militaryonesource and learn more about your particular financial situation.

General Money Management

Money management encompasses how you handle all of your monetary assets. The basic rule of thumb is to have at least 3 to 6 months of living expenses in a savings account in the event of lost wages (and other emergencies). Although this is in the ideal situation, you may struggle to make ends meet once you are out of the service and find this goal too lofty and unrealistic. Instead, working towards saving $500 a month may seem more practical and attainable. You need to set a savings goal now and start aiming to reach that goal as quickly as possible. If you are close to your separation or retirement date, this may be very tough to attain.

So let's talk a little about budgeting. You need a tool for researching financial goals. One tool is using budget statements. These are compilations of your personal financial data and are designed to indicate your financial condition. The two most useful budget statements are a balance sheet and a cash flow statement.

A balance sheet is basically your net worth which describes your current financial status and includes information on what you own (assets), what you owe (liabilities), and what the net result would be if you paid off all of your debts.

A cash flow statement is used to summarize income and expense transactions that have taken place over a specific period of time, such as a month or a year. It tells you where your money came from and where it went.

Next is your income which obviously includes your work paycheck but also includes other ways you get money such as a monetary gift for your birthday. Expenses are broken into two categories, fixed or variable. Fixed expenses cannot be changed in the short run. These include rent or mortgage payments, utility bills, auto payments and insurance premiums. Variable expenses are easier to decrease in the short run. They include such items as groceries, clothing, donations, recreation or entertainment, credit card payments and some transportation costs. Your income will most certainly drive your budget; how much you earn vs. how much you spend. You need to look at your fixed income along with your variable and determine items you need in your life and those you can do without for the time being, at least until you earn more money and get more financially stable.

There are many resources available to assist with developing a budget. You can visit the Family Support/Service Centers and meet with financial counselors, or can access financial planning on-line. Sites such as militaryonesource.com and TurboTAP.org have more information on budgeting. You are encouraged to explore the on demand interactive courseware on Financial Planning for Transition, contained in the DoD Career Decision Toolkit. If this would be helpful to you, write it in the "referred to" column on block 17d.

Another area of money management is debt management. This is a systematic way to help you become debt-free. It involves spreading the payments over a period of time, and possibly stopping creditors from taking legal action against you. Debt management is based on how much you earn vs. all of your expenses. It is set up for you that if you do get into unmanageable debt by reckless spending, along with other unavoidable reasons, like losing a job, being relocated or separation it can help you in alleviating that problem.

Debt management programs can only help to a certain extent. To remove the debts, you are required to put forth the effort by sticking to a budget, refraining from over spending and stopping the use of credit cards.

Debt management programs, typically offered through the Family Support/Service Centers have been designed and equipped to assist individuals in making their debt repayments in a manageable manner. These programs are not always accessible after your transition. There are scores of companies you can find online who have a lot of experience in helping people handle their debts.

Personal Savings and Investment

Banks and credit unions offer savings accounts designed to help you reach your short- and long-term financial goals. When opening a savings account you need to look for an FDIC or National Credit Union Association (NCUA) - insured savings account that offers competitive interest rates on low account balances. It is important to check withdrawal and deposit guidelines as some institutions limit the amount of free transactions available. Savings accounts do not provide a lot of interest earnings on what you put into an account. These are set up as a way to put money into an account for you to draw out if needed.

For higher interest earnings you then need to invest your money into a variety of institutions that can work to make you money. There are four common types of investments.

The first and probably most inexpensive type of investment is a bond, in particular, the U.S. Savings Bond. Companies, cities, states, and even governments sell bonds to help raise money to run their particular institutions.

Second is a Certificate of Deposit, or CD. CDs are issued by commercial banks and savings and loans. A CD is the bank's way of "making money." You typically receive a small yield on your money, about 2-5%, and the more you invest the more you earn.

Stocks are another type of investment. When buying a stock, the purchaser takes an ownerships stake in a company. At some point, just about every company needs to raise money. In each case, a company has two choices: 1) borrow the money, or 2) raise it from investors by selling them a stake in the company. Own a share of stock, and the purchaser becomes a part owner in the company, with a claim (however small it may be) on every asset and every penny in earnings (and unfortunately on losses as well). If the profit goes up and the company does well, the investor can make money. If the profit is down and the company has a bad quarter or bad year, then the investor can lose money. Stocks are sometimes a big risk and people have lost a lot of money in them.

The last common type of investment you probably have heard about are mutual funds. A mutual fund has a manager of the fund who pools money together from thousands of small investors and then buys stocks, bonds, or other securities with the money. When contributing money to a fund, the contributor gets a stake in all its investments.

That's just the tip of the iceberg. The **Saveandinvest.org** website, sponsored by the Financial Industry Regulatory Authority, Inc (FINRA) is also a great location for online education and resources.