



VETERANS

FINANCIAL HANDBOOK



PAGES 4-5	Introduction
PAGES 6-7	Best Practices - Budget and Tax Management
PAGES 8-9	Paying for College - Using Your GI Bill
PAGES 10-11	Retirement Accounts, Savings Accounts, and Investments
PAGES 12-17	Insurance - Auto, Health, Renters, Homeowners, and Life
PAGES 18-19	Buying a House - Using Your VA Loan



As you transition out of military life and into civilian life, you will find, maybe surprisingly, that there are many similarities. You will still need to work at a job. You will need to care for such things as housing, vehicles, cell phone bills, etc. You will work as part of teams and have a boss that you are accountable to. To get ahead, you will need to show initiative, come to work on time, and be a team player; all things that you learned in the military.

Though there are many similarities between military and civilian life, there are, of course, stark differences. As a member of the military, you had a tremendous amount of responsibility handed to you, likely early in your career. You made life and death decisions and were always ready to deploy in defense of our country. With this responsibility came some well-deserved benefits. You were provided with free, unlimited health care, housing was paid for, and you had free access to education. As you make the transition to civilian life, many of these benefits will no longer be available to you and that realization can be stressful.

Transitioning out of the military is both an exciting and nerve-wracking experience for many veterans. In reality, any career change can be stressful. The transition from the military into a civilian career carries with it the additional considerations of losing comprehensive (free) health care, housing allowances and retirement plans to name a few. Having a solid understanding of your finances prior to separating is a great way to mitigate some of that uncertainty.

Comparing some basic expenses and how they will change in your new life.

PAY

MILITARY

Basic pay plus special pay. Some pay is not taxed.

CIVILIAN

Pay may be the same, however your entire paycheck is subject to taxes both state and federal.

HEALTH CARE

MILITARY

100% free, sick call hours every morning.

CIVILIAN

Depends on your employer, but you can expect a monthly premium plus co-pays for visits to the doctor.

Percentage of your budget: 15%

HOUSING

MILITARY

Provided if you live on base, otherwise you receive Basic Allowance for Housing (BAH) which is not taxed.

CIVILIAN

You will need to cover your rent or mortgage from your paycheck.

Percentage of your budget: 15%

INSURANCE

MILITARY

Service Members Group Life Insurance (SGLI) provides you with up to \$400K in coverage.

CIVILIAN

Your employer may offer some life insurance, however you may need to contribute a monthly premium for coverage.

CAR

MILITARY

Some dealers offer discounts for military.

CIVILIAN

Will need to come out of your paycheck.

EDUCATION

MILITARY

Access to Tuition Assistance as well as on base college classes.

CIVILIAN

Unless you are using your G.I. Bill, education expenses will need to come out of your paycheck.

VACATION

MILITARY

30 days per year with a maximum accumulation of 60 days.

CIVILIAN

Most employers offer new employees 7-14 days of vacation.

OPPORTUNITIES FOR ADVANCEMENT

MILITARY

As long as you complete the prerequisites, you can expect a promotion every 2-4 years.

CIVILIAN

Varies with employer. Some companies are better than others at recognizing Veteran talent.

RETIREMENT

MILITARY

20 year pension or new Blended Retirement System

CIVILIAN

Many companies offer a 401K that you can contribute to.

Budget and Tax Management

In the table on the next page, you can see what percentage of your budget you should plan on allocating to each category of expense. When setting up your budget, you first need to understand the difference between pre-tax pay and post-tax pay (otherwise known as take-home pay). Pre-tax pay is the amount of compensation you receive from your employer before taxes are applied. Some expenses can be taken out of your pay pre-tax (which can save you money in the long-run). These expenses are items like 401k retirement accounts, health insurance premiums, and Health Savings Accounts (HSAs), all of which we will discuss later.

Your take-home pay is the amount of your total compensation that remains after taxes are applied. Tax rates vary by state but you can expect to see deductions on your paycheck for Social Security, Medicare, Federal withholdings, and in some cases, state income tax. Your tax bracket depends on your amount of taxable income, which is the income after exemptions and deductions. For example, if you get paid \$60,000 per year but make \$5k/yr to your 401k, then you will be taxed for the remaining \$55k. At that amount, you would be in the 30% tax bracket but the first taxes work so that you pay the lower bracket first. So, your first \$20k would be taxed at 10%, the next \$30k would be taxed 20%, and the remaining \$5k would be taxed at the 30% rate. This is how pre-tax deductions can save you money in the long run.

Keys to managing a personal budget

- 1 Keep it simple; set small goals (SMART Goals - Specific, Measurable, Achievable, Relevant, Time bound)
- 2 Don't get caught up with maintaining an exact credit/debit recording system; break things down into simple categories

Follow the 50/20/30 Guidelines:

- 50%** of your take-home pay goes to fixed costs (rent, utilities, memberships, subscriptions, etc.)
- 20%** of your take-home pay goes to building your financial foundation - pay down credit card debt, save for retirement, and build your emergency fund
- 30%** of your take-home pay goes to flexible spending - day-to-day expenses that can vary such as eating out, groceries, entertainment, etc.

- 3 Remain disciplined and focused on your goals and financial security



Using Your GI Bill

There is a wide variety of scholarships and grants designed to help Veterans pay for college but the most common benefit used by Veterans is the Post-9/11 GI Bill.

To qualify for this bill you must:

- Have at least 90 days of active duty service
- Have served those 90+ days after Sept 10, 2001
- Be on active duty status or honorably discharged

This is a VA administered program and can be used to cover costs of college tuition and housing as well as flight training, vocational training, on-the-job training, and the list goes on.

Benefits and Eligibility

- Provides up to 36 months of education benefits, which include
 - Monthly housing allowance
 - Annual books and supplies stipend
 - Up to full tuition (percentage of coverage based on time in service)
- The requirement to use the benefit within 15yrs of separation has been removed for those separating after January 1, 2013
- If your institution participates in the Yellow Ribbon Program, they may match the VA contribution to cover any additional costs not covered by the GI Bill (see your institution's bursar for more information)

How to Use the Bill

- Log in to eBenefits.va.gov and request your Certificate of Eligibility for the GI Bill
- Notify your institution of your intent to use your GI Bill (they usually have a specialist to handle Veteran benefits and may have institution specific forms for you to complete)
- After receiving your COE, send a copy to your institution
- The rest is handled by the institution; ensure proper electronic funds transfer (ETF) information is in your eBenefits profile to receive your monthly housing stipend
- Initial payments take 30-60 days to come through (do not worry, the institutions are understanding if tuition payments from the VA are late)

If you have any additional questions regarding this benefit or any other VA benefits, contact your nearest VA medical center and ask to speak with a benefits counselor.

Retirement Accounts, Savings Accounts, and Investments

All of these accounts allow your money to grow tax-free. You will pay taxes when you withdraw the money, except for Roth IRAs. Additional penalty may be assessed for withdrawing money too early (*before age 59.5*).

COMMON RETIREMENT ACCOUNTS

401 (k) (403 (b) for non-profit organizations)

- Offered through your employer
- Best place for most people to start saving for retirement
- Many employer match a portion of your contribution (free money)
- Employer usually selects the financial services company to handle your account; possible free financial advisor
- The longer you have before retiring, the more aggressive you can be with your investments
- You can roll your account over to another 401(k) if you leave your employer

ROTH IRA

- You are contributing after-tax dollars; no tax deduction for your contribution
- Money grows tax-free; pay no taxes upon withdrawal after age 59.5

ROTH IRA

- Usually coupled with a High Deductible Health Insurance Policy
- Funds can be used for doctor visits, glasses, and medications not covered by insurance
- Save money tax-free; at age 65 you can withdraw money for any reason with no penalty

ACCOUNTS FOR SMALL BUSINESS OWNERS/SELF-EMPLOYED

- Solo 401(k)
- Simplified Employee Pension IRA (SEP IRA)
- Simple IRA

COMMON INVESTMENTS

STOCKS

- Buy stock in individual companies
- Company success increases stock value; which increases the value of your investment
- Common stock- have voting rights at shareholders' meetings and receive dividends
- Preferred stock- no voting rights; receive preference in payment of dividends over common stock holders

BONDS

- A debt instrument; investor essentially loaning money to a company or agency (the issuer)
- In exchange, receive interest payments plus return of bond's face value when it matures
- Bond values are based on many factors (just like stocks) - most notably, the direction of interest rates (think Fed rate increases)

MUTUAL FUNDS

- A pool of investments from multiple investors managed by an investment manager
- Transactions to buy or sell shares are completed after market close
- Mutual funds are valued at the end of the trading day
- Allow small investors to buy diversified exposure
- Can make distributions in the form of dividends, interest and capital gains
- Most 401(k)s are made up of mutual funds

EXCHANGE-TRADED FUNDS (ETFs)

- Like mutual funds
- Traded on the stock exchange during the day like stocks
- Valued constantly
- Just like mutual funds; have passive and actively managed funds

SAVINGS ACCOUNTS

CERTIFICATES OF DEPOSIT (CDS)

- Usually has highest interest rate among savings accounts
- Limited access to funds

REGULAR SAVINGS ACCOUNT

- Earns interest (at higher rate than checking account)
- Quick access to funds

MONEY MARKET ACCOUNT

- Earns more interest than a regular savings account
- Higher balance requirements



Auto, Health, Renters, Homeowners, and Life

Auto Insurance

Same is when you were in the military you still need auto insurance

- Rates depend on location, age, driving history, etc
- Easy to search online for average cost of car insurance by state

Health Insurance

- As much as we like to complain, TRICARE provides some of the best comprehensive health care coverage available
- Designed to cover medical expenses (including preventive care, i.e. annual checkups)
- Will not cover 100% of costs; share costs with you to a certain point (out-of-pocket limit)
 - After that point, covers 100%
 - Deductible, copayment, coinsurance, out-of-pocket limit
- Rules vary on a state by state basis as far as health insurance requirements so be sure to research your states' specific requirements to avoid penalty fees. (For State Specific Requirements Visit: http://www.ncsl.org/research/health/state-ins-mandates-and-aca-essential-benefits.aspx#State_EHB_2016)

- Affordable Care Act (ACA or Obamacare) - recently revised by legislators to move away from the benefit requirements in many health plans offered when the Act was originally enacted
- Insurance for Family
 - Check deductible, copay, coinsurance payments are affordable
 - Family deductible and individual deductible
 - Once individual hits their deductible, 100% coverage kicks in just for them
 - Once family hits family deductible, 100% coverage kicks in for entire family regardless of whether everyone hit individual deductible (perfect time to get everyone in for a doctor visit)
- Student
 - Check with university for affordable plans
 - If under 26, can stay on your parents plan until you hit 26 yrs old
- Veterans
 - If served in combat zone, post-9/11, qualify for 5 years free health coverage
 - Complete medical separation and disability/compensation evaluations
 - Some levels of disability also qualify for healthcare coverage
- 2 types - public and private
 - Public - Medicaid, Medicare, and Children's Health Insurance Program (CHIP)
 - Private - most people have this
- 2 Markets - On- Exchange
 - Private Plans sold on government-run exchanges (Healthcare.gov)
- Off-Exchange
 - Private plans sold by health insurance company or 3rd party broker
 - Potential for lower price point but ineligible for premium tax credit
- Employer-provided insurance
 - Cheaper than buying your own plan usually; also called group plan
- All providers of health insurance partner with networks of healthcare providers



- Types
 - HMO: Health Maintenance Organization
 - Most restrictive plan (smallest network of providers)
 - You will choose a primary care provider (PCP) and that is the only one you can use
 - Cheaper premiums
 - PPO: Preferred Provider Organization
 - Least restrictive plan
 - You can choose in-network doctor at lower price or out-of-network at higher price
 - More expensive premiums
 - POS: Point of Service
 - Hybrid of the above 2 plans
 - Have a designated PPO (like the HMO), and have access to out-of-network options (at higher cost, like PPO)
 - More expensive than HMO; cheaper than PPO
- Metal tiers - categorize plans based on premium costs

- Tier	Premium (Consumer/Insurer)
- Bronze	40%/60%
- Silver	30%/70%
- Gold	20%/80%
- Platinum 1	0%/90%

 - Bronze have lowest premiums and platinum have highest
- Key features
 - Premium - monthly bill
 - Deductible - how much you pay out-of-pocket before your insurance kicks in
 - Copayment - fixed amount that you pay for a specific service or prescription
 - Coinsurance - Percentage of the cost you pay for covered services
 - Maximum out-of-pocket amount - the most you will ever have to pay for covered healthcare services in a year
 - All above payments count towards reaching this limit
 - Max for 2018: \$6,650 (individual)/\$13,300 (family)
- Supplemental Insurance Products
 - Dental Insurance
 - Relatively inexpensive
 - Included in health insurance plans for children under 18yrs
 - Vision insurance
 - Relatively inexpensive
 - Included in health insurance plans for children under 18yrs
- 10 Essential Benefits (Formerly Required under ACA)
 - Ambulatory patient services (care you receive without being admitted to hospital)
 - Emergency services
 - Hospitalization for surgery, overnight stays, and other conditions
 - Pregnancy, maternity, and newborn care
 - Mental health and substance use disorder services
 - Prescription drugs
 - Rehabilitative and habilitative services/devices
 - Laboratory services
 - Preventive and wellness services
 - Pediatric services
- 5 Factors Determine Health Insurance Cost
 - Age
 - Location
 - Tobacco use (Y/N)
 - Individual vs Family plan
 - Plan category (bronze, silver, etc)



Homeowners Insurance/Renters Insurance

- Both protect your home (whether you own it or not)
- Renting
 - Renters Insurance (aka HO-4) protects your personal belongings and your liability in event of catastrophe
 - Also covers living expenses if you cannot remain in your home
 - Landlord insurance will not cover your personal belongings
 - Replacement vs Actual Cash Value
 - Replacement - insurer replaces lost items with items of similar size/quality/etc.
 - Actual Cash Value - insurer calculates depreciation and only pays value of possessions at time they were lost; typically the cheaper option
 - Covers personal liability for damage or injuries caused by you or your family or guests - protects against lawsuits
 - Can get you a discount on auto insurance
- Homeowners Insurance
 - Required by most mortgage companies
 - Coverage is very similar to renters insurance
 - Additional type of coverage - guaranteed (or extended) replacement cost/value - cover the cost to repair/build your home even if it exceeds policy limit

Life Insurance

- Provides a death benefit to your named beneficiary
- 2 types
 - Term Insurance
 - Pays a death benefit to your beneficiary only if you die during the term of an active policy until age 95
 - In most cases, death benefit and the right to convert to a permanent policy without proof of insurability are the primary features
 - Policy has not value at the end of the term
 - Permanent Insurance
 - Pays a death benefit to your beneficiary regardless of when you die as long as the policy is in force
 - Includes both a death benefit and a savings feature
 - Policy builds cash or loan value you can borrow against, withdraw, or invest
- Factors that determine Premium Rate
 - Gender (females get lower rates)
 - Answers to health questions in application
 - Results from medical exam/lab work
 - Family medical history
 - Marital status
 - Location
 - Lifestyle - smoker/nonsmoker, alcohol consumption, risky hobbies, etc
- Why do you need life insurance
 - Pay for burial and final expenses
 - To replace income
 - To pay off mortgage

Using Your VA Loan

One of the best benefits offered to veterans is the VA Home Loan. This loan allows active duty military, reservists, national guardsmen, and veterans to purchase a home with 0% down. In most markets, the loan is capped at \$424,000 dollars. There is no requirement for private mortgage insurance (PMI). The VA has rules in place that limit the amount that you can be charged in closing costs. Lenders are not allowed to charge a penalty fee if the loan is paid off early. In addition, the VA may be able to provide assistance if you should run into difficulties making payments on your mortgage.

Find a Realtor

Once you have decided to purchase a home using the VA Home Loan, there are a set of steps that you need to follow in order to successfully close on your new home. Generally, the first step in the process is finding a real estate professional to work with. It's advantageous to choose a realtor that has experience or expertise in working with a VA Home Loan. Your realtor should serve as your coach through the home buying process. I cannot overstate how important this step is. Leverage your network; friends, family, fellow veterans and get recommendations on which realtor to use.

Find a Lender

Locate a lending institution that participates in the VA program. It's a good idea to get "pre-qualified" at this point - that is, find out how big a loan you can afford. Lenders set their own interest rates, discount points, and closing points, so you may want to shop around. Your credit will not be negatively impacted if multiple lenders make inquiries regarding your credit during a 6 month period. The credit agencies want and expect you to shop around for the best rates.

Get a Certificate of Eligibility

The Certificate of Eligibility (COE) verifies to the lender that you meet the eligibility requirements for a VA loan. Learn more about the evidence you submit and how to apply for a COE on our Eligibility page.

Find a Home and Sign a Purchase Agreement

Work with a real estate professional and negotiate a purchase agreement. Make sure the purchase and sales agreement contains a "VA Option Clause."

Here's a sample of a "VA Option Clause":

"It is expressly agreed that, notwithstanding any other provisions of this

contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs."

You may also want the purchase agreement to allow you to "escape" from the contract without penalty if you can't get a VA loan.

Apply for your VA Loan

Work with the lender to complete a loan application and gather the needed documents, such as pay stubs and bank statements.

Loan Processing

The lender orders a VA appraisal and begins to "process" all the credit and income information.

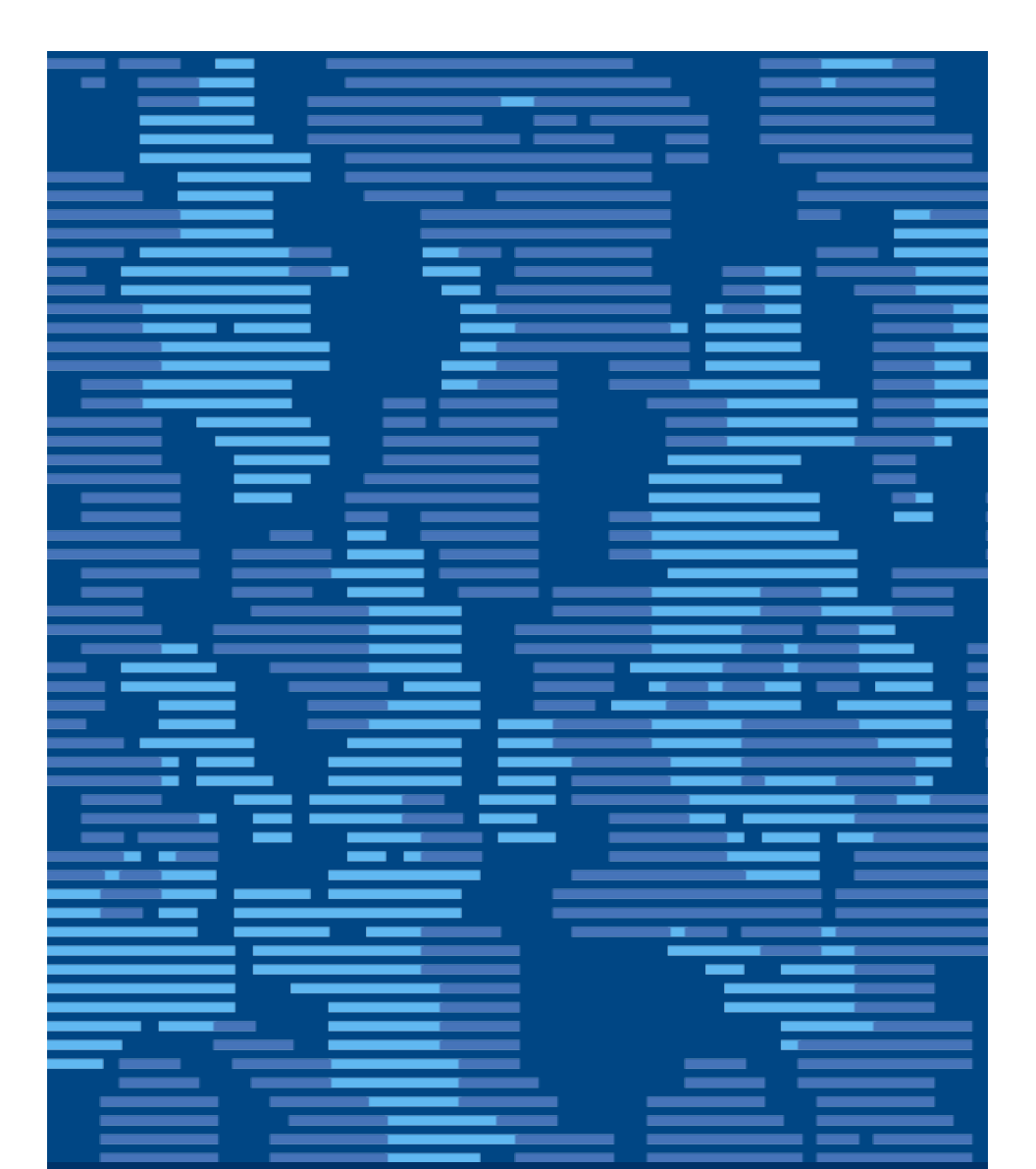
(Note: VA's appraisal is not a home inspection or a guaranty of value. It's just an estimate of the market value on the date of the inspection. Although the appraiser does look for obviously needed repairs, VA doesn't guarantee the condition of the house. The appraiser, who is licensed, is not a VA employee. The lender can't request a specific appraiser; assignments are made on a rotating basis.)

The lending institution reviews the appraisal and all the documentation of credit, income, and assets. The lender then decides whether the loan should be granted.

Closing

The lender chooses a title company, an attorney, or one of their own representatives to conduct the closing. This person will coordinate the date/time and the property is transferred. If you have any questions during the process that the lender can't answer to your satisfaction, please contact VA at your Regional Loan Center by calling 1-877-827-3702, with hours of operation from 8am to 6pm EST.

(Source: <https://www.benefits.va.gov/homeloans/>)



The contents of this handbook were reviewed by a CitiGold Financial Advisor and fellow veteran, Jerry Wiffler. For any additional questions or advice, his contact information is listed below:

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For more information related to Veteran benefits please visit:
www.benefits.va.gov