

SERVICE MEMBERS AND VETERANS

Managing Money in the Military and
Transitioning to Civilian Life



Money and the Military

Financial Strategies for Service Members and Veterans

Serving in the military creates some unique financial challenges for Service Members and their families, from being called to active-duty service to frequent moves for Permanent Change of Station (PCS). There are special protections and programs offered to military personnel, but it's up to those serving to understand and know how to use them effectively to maintain financial stability during your service.

There are also distinct challenges that arise when Service Members leave military service and transition to civilian life. Veterans can face issues finding employment, housing, and managing their finances outside of the structure that military service provides.

This publication is designed to serve as a guide for both situations, with advice for those serving currently, as well as Veterans who need help achieving and maintain financial stability.

Guidance for Military Service Members

Two situations that present the most financial challenges for Service Members are deployment and Permanent Change of Station (PCS).

Preparing for Deployment

When you are deployed on active duty, communication can be difficult and there's little time to manage your finances as you focus on the mission. It's critical to make arrangements ahead of time, so there's a structure in place to ensure things run smoothly while you are deployed.

Step 1: Create or Review Your Family Care Plan

Most units require you to create a Family Care Plan, whether you expect to be deployed or not. The plan provides details for caregivers to follow while you are deployed and must be kept up-to-date. Speak to your local family support center for advice.

1. **Assign a guardian for your family with Special Power of Attorney.** Make sure your designated guardian understands their responsibilities.
2. **Obtain ID and commissary cards, and register in the Defense Enrollment Eligibility Reporting System (DEERS).** Prior to deployment check to make sure all ID cards have not expired and explain the importance of dependent ID cards to the caregiver.
3. **Sign up for SGLI or a similar group life insurance.** Before you are deployed, make sure all beneficiary information is up-to-date.
4. **Arrange for housing, food, transportation, and emergency needs.** Make sure your caregiver understands the family's routines and what to do in case of an emergency. Provide any necessary emergency contact information.
5. **Arrange for your guardian or caregiver to have access to necessary funds.** These funds ensure that unexpected expenses and emergencies can be covered while you are deployed.
6. **Arrange for child care, education, and medical care.** The guardian or caregiver should also have a calendar of activities and events. Also provide a list of medications, vitamins, allergies, and physician information.
7. **Prepare a will and designate a guardian in the will.** Prior to deployment, make sure it is updated and all necessary information is current, including the executor, guardian for

your children, and beneficiary contact information. If you don't have a will, your Judge Advocate General (JAG) office can help you create one.

8. **Ensure the guardian understands how to use installation services and Military Treatment Facilities.** Caregivers who do not have a military ID card can still enter a military facility as long as they have Power of Attorney and the eligible family member's ID card. They may also shop at commissaries and exchanges with a letter of authorization signed by the installation's commanding officer, which you can request through the ID card office at the installation.
9. **Arrange for necessary travel and escort to transfer family members to their guardian.** Make sure to discuss your plans with your older children.

Step 2: Review Your Finances

Day-to-day life back home will still go on while you are deployed, so it's important to make sure your finances are in order. You need to ensure that bills will be paid on time and other financial responsibilities can be met without your direct daily oversight.



Before you deploy, make sure to review your finances carefully with your spouse, family member, or a trusted friend who will be handling things under the Power of Attorney while you are deployed.

- Make a list of monthly bills and other financial obligations.
- Review bill due dates to avoid late or missed payments; when possible, set up AutoPay.
- Verify the amount of money in all your accounts.

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- Prepare a contact list for banks, lenders, and credit cards.
 - Set up Direct Deposit if you don't already have it in place.
 - Join the **Savings Deposit Program**, which provides Service Members in designated combat zones the opportunity to increase their financial savings. You can deposit a total of \$10,000 during each deployment, which will earn 10% interest annually.
 - Create a **MyPay account** with the **Defense Finance and Accounting Service (DFAS)**. This online payroll and accounting system will help you organize and manage your finances.
 - If you will be on **Extended Active Duty (EAD)** remember to set your **6 pay allotments**. These allotments allow funds to be taken automatically from your pay and sent to up to six individuals or businesses.
 - Place an **active-duty fraud alert** on each of your credit reports by contacting the three national credit bureaus – Experian, Equifax, and TransUnion.

Step 3: Talk to a Tax Professional

Take time to drop by your installation's legal office to speak with a tax professional. Ask them about credits and deductions you may qualify for while deployed. You may also qualify for automatic filing extensions if you are deployed to certain combat zones when a filing deadline occurs.

Step 4: Review All Pertinent Documents

Make sure your spouse, a family member, or the person you designate Special Power of Attorney knows where all documents are stored.

- **Power of Attorney:** This legal document gives someone the authority to take specific actions on your behalf, such

as signing checks to pay bills or selling a particular piece of real estate.

- **Will:** This legal document designates how your estate will be divided, as well as assigning a guardian for your children. If you do not have a will in place, talk to your JAG office to create one or you may risk losing all rights for how your estate would be divided.
- **Letter of instructions:** This is not a legal document, but a helpful set of instructions to pass along any messages and directions you have about your estate and funeral.

Step 5: Assess Your Insurance

Before you deploy, review your insurance to make updates and changes, as necessary. Review your policies and make sure beneficiaries are up-to-date.



- **Life insurance:** As a Service Member, you are eligible for **Servicemembers Group Life Insurance** for up to \$400,000. Update this insurance as necessary.
- **Auto insurance:** Contact your insurer and make the appropriate updates if you are storing your vehicle or if someone else will be driving it to ensure they are on your policy.
- **Homeowner's or renter's insurance:** Do not forget to insure your personal property, even if you live in government-provided housing. Consider property insurance for expensive items, such as jewelry, art, or family heirlooms.
- **Disability insurance:** Private disability insurance can provide additional protection in case you are disabled while you are deployed.

Step 6: Contact Lenders and Creditors Regarding SCRA Protections

The SCRA is a federal law designed to protect Service Members, National Guard, and Reservists who are deployed on active duty. It addresses all of the unique financial challenges that active-duty service can bring, for example:

- You can break rental agreements without penalties, recouping security deposits and any prepaid rent; you can also break lease agreements.
- It protects against eviction, foreclosure, property repossession, and forced property sales
- It caps all interest rates at 6% APR, meaning interest rates will be reduced and cannot rise above that cap while you are deployed
- You can receive a stay in civil judicial proceedings, meaning the proceedings will be postponed; this includes divorce, child support, and custody hearings.
- It also prevents default judgments against you. The court must either appoint an attorney to represent you or postpone if your presence is needed in court to present your defense.
- Income tax payments are deferred and penalties and interest cannot be added.
- You can terminate a telecommunications or cell phone contract without penalties.

Military OneSource provides a complete [guide to SCRA protections](#) where you can learn more. You should take time to read and understand these protections fully, so you can use them to the full advantage that they offer.

As you prepare to deploy, you will need to contact lenders, creditors, and service providers. Have copies of your deployment orders on hand, as it is often required for verification.

Preparing for Permanent Change of Station (PCS)

Once you receive PCS orders, you should begin planning immediately. Keep in mind that you are not on your own for this move. Use all the resources the military provides and get help if you need it.

Step 1: Schedule a Meeting with Your Base Transportation Office

The name of your base transportation office will vary, depending on which branch of the military you're serving in:

- **Department of Defense:** Joint Personal Property Shipping Office
- **Air Force:** Traffic Management Office
- **Army:** Installation Transportation Office
- **Navy and Marine Corps:** Personal Property Shipping Office
- **Coast Guard:** Household Goods Shipping Office

Step 2: Contact the Finance Office at Your Current Location

Moving is costly, so it is important to take advantage of every benefit you qualify for once your PCS orders are in. The finance office can provide important information on benefits, such as:

- Dislocation allowance
- Per Diem allowance
- Monetary allowance in lieu of transportation

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- Temporary lodging expense
 - Advance basic pay

Ask about additional benefits if you are moving overseas or to Alaska or Hawaii. Inquire about doing a Do It Yourself move versus a move coordinated by the Transportation Management Office. Start this process as soon as possible, so you'll have peace of mind that you have a plan for your move.

Step 3: Evaluate Your Banking Situation

If you bank with a national banking service that's available nationwide, you may spend little to no time on this step. However, if you bank with a local bank or credit union, then you will need to transition to a new financial institution for your move. Advance planning will help ensure that banking services are not interrupted and things like AutoPay for bills are in place.

Here are some things to consider:

1. First, determine if your financial institution has branches where you will be stationed. If so, then make sure you update your contact information once you move.
2. If your current institution does not operate where you will be stationed, go online to explore new banks and credit unions in that area.
3. Once you open your new account, make sure to activate AutoPay on all the bills you had set previously.
4. Also, check to see what accounts are drawing automatically from Direct Debit on your account, and call the providers to get those payments transferred to your new account.
5. Do not close your old account until you are sure all bills and payments have been transferred to your new account.

Step 4: Protect Your Property for the Move

Every move incurs at least some losses or damages to household and personal items. Evaluate your personal situation and property to decide if you need to purchase insurance to minimize costs and losses during your move.

- **If the Transportation Management Office is coordinating the move**, ask your relocation manager about insurance that may be provided for you.
- **If you are moving yourself**, ask the moving company about insurance they may offer to protect your items; do this before moving day.

Make sure to talk to your transportation office and legal office at your base regarding claims and handling coverage.

Step 5: Update Your Medical Coverage

1. Keep all your medical records current by updating the Defense Enrollment Eligibility Reporting System (DEERS) with your and your family's information.



2. Contact your TRICARE office to receive your healthcare information. Then contact the regional office when you know your new address.

This will make certain your coverage becomes activated after you arrive at your new base.

Step 6: Prepare Your Checklists

[Military.com](https://www.military.com) offers a series of helpful checklists that walk you through everything you need to do to prepare for and have a successful move. Following these will not only keep you

organized but give you peace of mind that you're not forgetting something as you move.

Choosing the Best Housing for Your Needs

The right fit for housing is crucial for military personnel and their families. It can mean the difference between a rewarding experience and a stressful one. You generally have three options:

1. Buying a home
2. Renting a home
3. Living on base

Once you receive your orders, a good place to start is the housing office at your new duty station. The staff can provide information on temporary housing, the housing market, and housing allowances.

For now, here are the general pros and cons of each housing option:

Buying

Owning a home may be part of the American dream but it doesn't always match the lifestyle for military families.

PROS	CONS
Mortgage interest, taxes, and most mortgage loan points are tax-deductible	Responsible for paying property taxes, which can be high, depending on the area
Property usually builds equity, which is an asset	May have trouble selling or renting out after only a few years in the home
Access to VA loans, which can offer highly favorable financing terms	There are closing costs and typically higher insurance costs to cover
Not dependent on anyone to maintain or fix the property	You are responsible for maintenance and repair costs

Tax-free allowances to cover the costs of housing	If you decide to rent it out once you leave, there can be damage to the home
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Renting

Renting is often an easier option, especially if another relocation is forthcoming. However, there can be some drawbacks.

PROS	CONS
Lower upfront costs	You could have a terrible landlord
Barely any maintenance costs	You are not able to build equity as you do with a purchased home
In most cases, lower monthly costs	No control over rent increases
You can save money each month if your rent is below your Basic Housing Allowance (BAH)	No tax benefits
Easier to move with little notice	Possibility of no pets or children allowed

NOTE: Ask for a military clause in your lease agreement, which will allow the lease to be broken in the event of a call to active duty, reassignment, or other military-related issue.

Living on Base

Another option for military personnel is to simply live on base. It's an enjoyable atmosphere for some families, although it doesn't work for everyone.

PROS	CONS
Living costs covered, including utilities	Base housing may be unavailable or there may be a long waiting list

Very little commute to work (at least for the spouse serving)	Conditions may not meet expectations; can be cramped and may not have sufficient amenities
Easy access to post facilities, including the Commissary, BX or PX, and MWR centers	No control over school zone; if the base doesn't have a school, you may have to send kids to a public school you don't like
Military police on patrol offer security	No BAH, so you don't have the opportunity to save extra money
Support network of neighbors living the same lifestyle	Strict rules and covenants on house and lawn maintenance

Housing Allowances

Allowances offered to military personnel and their families can vary. This outlines the basic allowances, which help cover the cost of housing in the civilian community.

For more information, visit the [Housing Benefits](#) section of the Military OneSource website.

- **Basic Housing Allowance (BAH):** This compensation helps covers the cost of civilian housing based on average equitable renting and utility costs in the area. Your pay grade and dependents also affect the amount of the allowance. The [Department of Defense](#) (DoD) offers some helpful BAH tables and a calculator which will help you determine the amount you will receive.
- **Overseas Housing Allowance (OHA):** This allowance offsets the cost of living off-base outside the continental United States (OCONUS). The amount is determined by location, pay grade, and whether or not you have dependents. It covers move-in costs, utilities, and maintenance. The DoD also has a helpful [OHA Calculator](#).

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- **Family Separation Allowance (FSA):** This allowance may be available if your family cannot live with you where you will be permanently stationed, whether it is inside or outside the continental United States. You can learn more through the [Defense Finance and Accounting Service](#) (DFAS) website.
 - **Dislocation Allowance (DLA):** Assists with moving costs and is usually paid once per PCS and can be paid in advance. It is available to those stationed inside and outside the U.S., but it is not available if you are assigned to government quarters and not accompanied by family members. You can view [DLA rates](#) on the DoD's Defense Travel Management website.
 - **Temporary Lodging Expense (TLE):** Designated for personnel moving inside the continental United States (CONUS). It moderately offsets the costs of lodging and meals if you need temporary housing, although it cannot be used if you are house hunting. DFAS can provide more information on how [TLE reimbursement](#) is calculated.
 - **Temporary Lodging Allowance (TLA):** Designated for personnel moving overseas (OCONUS) to moderately offset the cost of temporary lodging and meals while you wait for government housing or find housing off the installation. Defense Travel Offers a helpful [TLA FAQ](#).

Mortgage Basics for Military Service Members, Veterans, and Surviving Spouses

Many Service Members, Veterans, and surviving spouses can qualify for a mortgage through specialized lending options through the Department of Veteran's Affairs (VA) and the Federal Housing Administration (FHA). These types of loans require little-to-no down payment and you can qualify with a lower credit score.

VA loans

The best lending option is often a VA home loan. These loans are backed by the VA, although the VA does not provide the loans directly. Private lenders offer Service Members and Veterans loans with less stringent qualification guidelines because the VA insures the loan, meaning the government pays the lender if the homeowner defaults.

To be eligible for a VA home loan, you must:

- Be a current or former member of the U.S. armed forces, or a current surviving spouse.
- Obtain a Certificate of Eligibility (CoE) through [VA.gov](https://www.va.gov).

VA loans require little or no down payment and in some cases, there may be no minimum credit score requirement. The VA itself has no minimum down payment or credit score requirement. However, some lenders may have requirements, so shop around because not all VA home loans are the same.

Another advantage of a VA loan over the FHA loan described next is that there is no mortgage insurance required.

Military.com offers a helpful guide on the [Four Keys to VA Loan Approval](#).

FHA loans

FHA loans are also government-insured and especially helpful for homebuyers that don't make a lot of money and may be struggling to save for a large down payment.

CREDIT SCORE	DOWN PAYMENT
580 and above	3.5%
500-579	10%

The downside to FHA loans is that you are typically required to pay an upfront mortgage insurance premium (UFMIP). This can

be financed into the cost of the mortgage, meaning it won't increase the upfront costs.

There is also a monthly mortgage insurance premium (MIP), which adds to the monthly cost of the loan.

Financial Guidance for Veterans

Transitioning to civilian life after military service can be a challenge, but there are a number of benefits available that make it easier. You also have the opportunity to chart a new course for your life, putting what you learned in the military and all the experiences you had to good use.

As you begin the journey, you will need to make some key decisions:

1. Where will you live?
2. What career path do you want to take?
3. Will your new career path require higher education?

Understanding VA benefits

The U.S. Department of Veteran Affairs has an extensive list of benefits it provides for Veterans, as well as their families. These include:

- Healthcare
- Housing assistance
- Higher education
- Career support
- Disability
- Pension
- Life insurance
- Burial services



It is crucial to learn what these benefits are and how to apply for them, so you can get the support you need.

Start by visiting [VA.gov](https://www.va.gov) and familiarizing yourself with all the benefits that the agency has to offer. A National Survey of Veterans found that 59 percent of Veterans said they have little or no understanding of the benefits available to them. If you have questions, you can ask online or call **800-698-2411** for help.

You can also search for [VA locations](#) near you. You can use this tool to find Veteran Service Centers, healthcare facilities, and more where you live.

Housing Resources for Veterans

In addition to the VA home loan program described on page 15, there are several other important housing support programs that Veterans should know:

1. The [Specially Adapted Housing \(SAH\)](#) program offers a grant that helps Veterans with service-related disabilities to build, remodel, or purchase an adapted home.
2. **The National Call Center for Homeless Veterans** exists to help Veterans who are homeless or at risk of becoming homeless. Veterans are encouraged to call **877-4AID-VET (877-424-3838)** for assistance. The center strives to connect Veterans with [housing solutions](#), such as a housing voucher program coordinated with the U.S. Department of Housing and Urban Development)

Finding Gainful Employment After Serving

The VA's [Careers and Employment](#) section on their website is a good place to start for resources related to planning and managing your career. You can access career counseling, find a Transition Assistance Program (TAP) briefing near you or take TAP online, and even find a job with the VA or through the Department of Labor.

Another good resource is [VETERANS.gov](https://www.veterans.gov), which can help you find a job directly after service, start a business, or change careers. You can also check out [CareerOneStop.org](https://www.careeronestop.org), [Military.com](https://www.military.com), and [HireAHero.org](https://www.hireahero.org).

Reemployment protection

The Uniformed Services Employment and Reemployment Rights Act (USERRA) exists to ensure that Service Members who return to civilian employment after completing service can be restored to their position. It states that under certain conditions if you are eligible for reemployment, you must be restored to the position and seniority-based benefits you have attained or a comparable position, had you not been absent from work to perform military service.

These protections are guaranteed by USERRA:

- Employers cannot discriminate against Service Members in the workplace based on their military service or affiliation.
- Employers cannot terminate you or deny initial employment, retention in employment, promotion, or any other benefit based on your status as a Service Member.
- They cannot retaliate against you or any other person for asserting, or assisting in the assertion of, USERRA rights
- They cannot deny health insurance once you are reemployed; USERRA allows you to continue existing employer-based health coverage for up to two years while in the military.
- The employer cannot hold a service-related break in employment against you with regard to participation in pension or contribution retirement plans, including match programs.

If you believe your rights granted by USERRA have been violated, you can lodge a complaint with the Department of Labor or file a lawsuit in federal or state court.

To file a complaint, contact the [Veterans' Employment and Training Service](#) (VETS) online or call **1-866-4-USA-DOL (1-866-487-2365)**.

For Veterans Pursuing a Higher Education

The **Post 9/11 GI Bill** offers a range of education benefits to individuals who have served in the military, including:

- Tuition and fees
- Housing allowance
- Books and supplies (up to \$1,000 per year)
- Rural benefit payment

Anyone who served at least 90 days after September 10, 2001, and received an honorable discharge can qualify for at least some benefits.

- If you served at least 36 months of active-duty service or were discharged for a disability connected after at least 30 days of service, you qualify to receive full benefits.
- If you served less than 36 months of active-duty service, you can receive up to 40 to 90 percent of the benefits until the bill.

Veterans can also transfer these education benefits to a spouse or children if they meet additional requirements.

Visit VA.gov for more information.

Tips for adapting to college life

Going to college after you serve often means that you may feel out of place on campus. You are likely to be older than most of your fellow students and have a different mindset. Don't get defeated by this. Embrace the college experience and stick to your goal of graduation.

Finding other Vets on campus can be helpful. Many colleges and universities have organizations for Veterans, or they offer Veteran-specific orientations and advisors that can help you get acclimated.



At the same time, don't isolate. Find students with similar interests and groups on campus where you can engage with civilians that share your interests and academic goals. This can often make transitioning easier, especially if you enter college directly after exiting the military.

Replacing Insurance As You Transition

A big financial change that you may need to consider as you transition out of the military is what will happen to your insurance.

- **Health insurance replacement:** If you retire from the military after 20 years, you will be eligible for healthcare after retirement. If you retire before 20 years, you can sign up for the Continued Health Care Benefit Program for up to 18 months. After retiring, you have 60 days to enroll. You can learn more through [TRICARE.mil](https://www.tricare.mil).
- **Life insurance replacement:** Once you retire from the military, your Servicemembers' Group Life Insurance (SGLI) will expire in 120 days. You can switch the policy to a Veterans' Group Life Insurance (VGLI) with no medical examination. This might be your best bet for life insurance, although keep in mind that VGLI is more expensive and goes up every five years or so until you are age 75. You can learn more through [VA.gov](https://www.va.gov).

Money Management Advice for Service Members and Veterans

Whether you are still actively serving in the military or already transitioned to civilian life, good money management skills are essential.

These steps can help you achieve and maintain financial stability:

1. **Build a budget.** You should take time to track your spending and make sure it's balanced with your income. If you are married and currently serving, make sure to review your budget with your spouse and adjust it as needed before you deploy and after you return.
2. **Control credit card spending.** Running up balances on high-interest rate credit cards often leads to financial hardship. It also makes it harder to save.
3. **Maintain good credit.** While programs like VA home loans make it easier to qualify for credit with a low score, you will still face higher interest rates, which increases the cost of borrowing. Take time to review your credit report once per year through annualcreditreport.com. You can find other publications in this series to learn about credit reports and how to repair your credit.
4. **Pay bills on time.** Late payments and fees cost money and missed payments on credit cards and loans can damage your credit.
5. **Always save for emergencies.** A good emergency fund covers 3-6 months of budgeted expenses, but start with a goal of saving \$1,000 and then \$5,000 and work your way up. If you're serving and qualify for bonuses, such as hazard pay or increased pay for being deployed to a combat zone, save that money.

Retirement options

Saving for retirement is crucial for anyone. Military service offers some unique saving options:

- **A Thrift Savings Plan (TSP)** is a tax-deferred retirement savings plan, similar to a 401(k). You can contribute a set amount of money each year and more as you approach retirement age. You contribute pre-tax income and the money you earn on the plan's investments are not taxed, but the money you withdraw is treated as taxable income.
- **A Roth TSP** works similarly to a Roth IRA account, where you make after-tax contributions, but when you withdraw the money after you retire, it is non-taxable.

You can learn more about both of these plans at [TSP.gov](https://www.tsp.gov).

Once you leave the military and transition to civilian life, you should also consider employer-based retirement plans, such as a 401(k) or 403(b) if you're working for the government. There are also Individual Retirement Accounts (IRAs) that allow you to save outside of employment.

Take time to understand your retirement saving options, so you can take full advantage.

Filing taxes

There are plenty of free services that help Service Members and Veterans file taxes. [VA.gov](https://www.va.gov) has a helpful list of all the free filing resources available on their blog.

For Veterans, there are also several tax breaks you can use:

- **Injured Veteran Tax Break:** Some or all compensation awarded to injured Veterans can be exempt from both federal and state income tax.

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- **Property tax exemptions:** Disabled Veterans may also be able to petition to have local real estate taxes waived. This varies from state to state.
 - **Military retirement pay exemptions:** Some states don't tax military retirement income and others offer exemptions up to a certain amount in certain conditions. You can learn more through [Military.com](https://www.military.com).