



# **FINANCIAL INDEPENDENCE TRAINING**

Military-specific financial issues for  
Financial Planning Day volunteers

Steven Fox & David Block

# Topics we'll cover today

- Intro to F.I.T. and guide to next Financial Planning Day at MCAS Miramar in February
- Why financial planning is different for military
- Basics of military pay and benefits
- Intro to veterans benefits
- Commonly seen issues among younger and older service members
- Service members Civil Relief Act and Military Lending Act
- Topics to be aware of when counseling service members



**FINANCIAL INDEPENDENCE TRAINING**

# Pro Bono Agreement



## PRO BONO FINANCIAL PLANNING SUPPORTING MILITARY/VETERANS MEMBERS FINANCIAL PLANNING DAY EVENTS

A letter of engagement, or client agreement, is a standard part of any financial planner's practice. A letter of engagement is no less of an important tool in a pro bono relationship. In order to participate in many FPA-sponsored pro bono programs, letters of engagement are required and must be signed by a financial planner and, when required, by the client.

As part of the letter of engagement, FPA members are requested to use a "mini plan" process when working with pro bono clients. The mini plan is the basic financial planning process with the important exception of implementation and monitoring. It consists of three basic steps – 1) gathering data and setting goals, 2) data review and clarification, 3) plan presentation and discussion. The mini-plan process, unlike most paid planning arrangements where the client has a more complex financial situation, is nonetheless designed to follow a client-centered process. Within the context of providing guidance to military members, your goal is to help the military member identify their core problem/challenge, provide initial guidance and, if needed, recommend they see the Personal Financial Management specialist at their installation.

The planner will receive no compensation for this engagement, and will comply with all regulatory, professional and ethical obligations, including but not limited to those imposed by the Securities and Exchange Commission (SEC), state securities and insurance regulator. The planner affirms that all professional licenses and certifications held by the planner are in good standing, and that the planner has not at any time been censured, convicted or otherwise found by competent authority to be guilty of any fraudulent activity or professional misconduct.

The financial planner, nor anyone in the planner's office, will be allowed to pursue an ongoing financial planning business relationship with the military member. If the military member/veteran requests such a relationship, the financial planner must decline the request and refer the client to the Personal Financial Management specialist for further consultation. If the military member/veteran wants an outside referral they should be directed to the [Planner Search](#) on the Financial Planning Association's website at [www.FPAnet.org](http://www.FPAnet.org) to find a planner that can assist them further.

The financial planner participating in this letter of engagement is a member of the Financial Planning Association. The undersigned planner is bound by the Financial Planning Association's Code of Ethics. Neither FPA nor its officers, members, nor staff assume responsibility or liability for the accuracy or appropriateness of the advice given by said planner.

The military member/veteran understands that the responsibility for financial planning decisions are his/her own and that he/she is under no obligation to follow, either wholly or in part, any recommendation or suggestion provided by the pro bono planner.

\_\_\_\_\_  
(Pro Bono Planner signature) (Date)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Print name, firm, address and telephone number)

The Financial Planning Association® (FPA®) is the membership organization for the financial planning community. Its members are dedicated to supporting the financial planning process in order to help people achieve their goals and dreams.



**FINANCIAL INDEPENDENCE TRAINING**

# Pro Bono Letter of Engagement

## LETTER OF ENGAGEMENT FOR FPA PRO BONO FINANCIAL PLANNING SERVICES

### Pro Bono Advisory Services Provided (check all that apply):

- Written financial planning advice from a CERTIFIED FINANCIAL PLANNER™ certificant or Financial Planning Professional Member of the Financial Planning Association.
- Organization of family finances
- Banking issues
- Bill payment, budget and cash flow management
- Medical, disability, life, property, and casualty insurance, including information about benefits, settlements and claims administration
- Review of savings and investments
- Tax issues
- Review of estate plan
- Review of financial benefits to which the *pro bono* client and his or her family may be eligible
- Other (specify) \_\_\_\_\_

Time Allocated to Pro Bono Engagement: \_\_\_\_\_ minutes or hours.

### Next Step (check all that apply):

- Client has been referred to the Personal Financial Management specialist at their military installation.
- Client has been recommended to track their spending habits for 1-2 months.
- Client has been referred to PlannerSearch on the Financial Planning Association's website at [www.FPAnet.org](http://www.FPAnet.org).
- Other \_\_\_\_\_

Notes: \_\_\_\_\_

---

---

---

---

---

---

---

---

### At conclusion of the Financial Planning Day pro bono engagement, copies are to be provided to:

- 1) Pro bono client
- 2) Personal Financial Management specialist at local military base



# Unique aspects of working with military

- Typical issues faced (deployments, multiple states, frequent moves, etc)
- Active duty pay/benefits much different from civilian pay
- Veterans benefits are complicated and important
- Readiness issues



# Military pay and benefits

- Basic pay + allowances
  - Pay chart
  - Taxable vs nontaxable
  - Deployment special pay
  - BAH/BAS
  - Leave (including terminal)
- Tricare
  - Not needed for active duty
  - Reservists
  - Dependents
  - Veterans



# Thrift Savings Plan

- Military version of 401(k)
- No match
- 5 funds to choose from, as well as target date funds
- Low cost, simple funds similar to index mutual funds
- Roth option available, especially useful during combat deployments
- Upon exit, can rollover to IRA, annuitize, or leave in TSP
- Most servicemembers should be using combination of TSP and Roth IRA
- See page 23 in handout for further details



# Military Pension System

- After 20 years of service, receive 50% of base pay for life (including annual raises)
- Increases by 2.5% per year afterward, up to 75% after 30 years of service
- Health care benefits through Tricare
- Sometimes opportunities for early retirement at 10-15 years with lump sum payouts
- Entirely separate from VA and veterans benefits





# Servicemembers Group Life Insurance

- Standard benefit \$400K, option to select lower amount. Spousal policies for \$100k
- Paid for by service member
- No exclusion for death in war zone, unlike many commercial policies
- Separate from death gratuity of ~\$100k
- Can convert to VGLI within 120 days of separation
- Sufficient amount for most service members, but some may need additional coverage



# GI Bill

- Differences between MGIB and Post-9/11 GI Bill
- Post 9/11
  - Tuition paid directly to school
  - Veteran received BAH at E-5 rate w/ dependents (proportional during partial months)
  - Book allowance of \$1000 per year
  - 36 months of benefits
- For dependents of disabled veterans rated 0% or higher, California offers College Fee Waiver program



# Disability Compensation

- Upon separation, apply for benefits through Veterans Administration
- Service-related injuries are added up and veterans given a percentage rating
- 10% or higher rating results in monthly payments, 50% or higher means full health care coverage at VA facilities for life (separate from Tricare, and not for dependents)
- Veterans who deployed to Iraq or Afghanistan receive 5 years of health care benefits regardless of disability rating



# Common financial issues among younger service members

- Basic budgeting and cash flow management, overspending (particularly vehicles)
- Lack of knowledge about basic personal finance issues such as credit scores, interest rates, etc
- Many of them making more money than they ever have, with low fixed overhead costs
- Most don't save enough, teach about opportunity cost and time value of money



# Common financial issues among older service members

- Many are uncertain about career path after retiring from military in late 30's or early 40's. Career counseling may be as important as financial planning
- Need help with the same retirement planning issues as regular civilians. Many will have been counting on pensions and not saved much in TSP or other retirement savings accounts
- Sometimes have houses in multiple states if they changed duty stations and couldn't sell or decided to hold it and rent it out
- Military spouses often have difficulty establishing a stable career with frequent moves, especially if they work in a job that requires state by state licensing such as teachers



**FINANCIAL INDEPENDENCE TRAINING**

# SCRA and MLA

- Service Members Civil Relief Act
  - Provides for right to terminate housing leases upon receiving PCS or deployment orders
  - Caps interest rate at 6% for some types of debt incurred before going active duty
- Military Lending Act
  - Caps the APR on payday loans, credit cards, vehicle loans, and some other types of debt at 36% for active duty



# Key topics to cover while counseling active duty service members

- Expected length of remaining service and preparation for exit
  - Adequate savings
  - Help them to understand true value of military benefits that they'll have to make up for with higher pay at civilian job (housing, insurance, taxes, etc)
- Basics of time value of money and starting to save/invest early
- Explain that taking action now is far better than doing so later. Give a couple examples from our experiences



# Where to learn more

- [MilitaryOneSource.com](http://MilitaryOneSource.com)
- [VA.gov](http://VA.gov)
- [Military.com](http://Military.com)
- Veterans of Foreign Wars
- Disabled American Veterans
- Personal Financial Management Specialists aboard local bases
- [FIT-Inc.org](http://FIT-Inc.org)
- Additional resources on handout



**FINANCIAL INDEPENDENCE TRAINING**