



NATIONAL ENDOWMENT FOR  
FINANCIAL EDUCATION

## **MILITARY FAMILIES SEEK FINANCIAL SECURITY**

*Personnel Face Unique Financial Challenges  
While Serving Their Country*

ENGLEWOOD, COLORADO—As American military activity winds down in the Middle East, thousands of servicemembers and their families are facing financial challenges that were triggered or aggravated by war. A partnership between two disparate organizations seeks to aid military families in their quest for financial well-being, both in the current volatile climate and in more secure times, as well.

"Financial disruptions are nothing new for military families," says William L. Anthes, Ph.D., president and CEO of the National Endowment for Financial Education® (NEFE®), a nonprofit organization dedicated to helping all Americans take control of their personal finances. Anthes adds, "The lives of military families are traditionally characterized by change. Responsibilities, duties and locations are constantly shifting. These times of mounting uncertainty can create issues that cause even more upheaval. However, the value of being a financially prepared military family, no matter the current circumstance, is immense." For that reason, NEFE chose to collaborate with the National Military Families Association (NMFA) to develop a source of practical financial insight and guidelines.

The product of the joint effort is a booklet, *Military Families, Money and Mobility*, available in its entirety for free on the NMFA Web site at <http://www.nmfa.org/>. Lillie Cannon, director of partnerships and collaborative efforts for the NMFA, explains that the material focuses on areas of financial concern for all military personnel. "While the timing makes the project particularly relevant, this information is important for military families in all situations—whether they have someone currently deployed or not."

The content for the booklet was developed by NEFE with input from military families across the U.S. The NMFA, through volunteers at various bases, compiled a list of topics and issues of importance, and served as a go-between for NEFE and military families who were interviewed.

Most of the publication focuses on active-duty military families who face frequent moves, with the final chapter addressing the concerns of reservists. The guide identifies several areas of significance, four of which are outlined below.

### **1. Being Financially Ready for a Move**

Military personnel usually go through a permanent change of station (PCS) move every two to four years. "Relocation is never easy," explains Anthes, NEFE's president, "But being prepared, especially in a financial sense, can make all the difference." Servicemembers can soften the impact of a move by using the time between moves to develop a special fund to help cover the costs of the next relocation. Anthes recommends that a moving fund include sufficient money to pay for the first few months in a new location. As military personnel begin to save for their moving fund, they may wish to consider the following expenses:

- **The cost of housing**—On-base housing may not be available for months or even years at your new location. While you will receive a housing allowance to cover an estimated 89 percent of the cost of off-base housing, you will need to make up the shortfall.
- **Relocating possessions**—The military provides information on items that will be moved for you, as well as a weight limit, based on destination, rank and number of dependents. Servicemembers should review the material carefully to calculate the amount they will have to pay. Although a Dislocation Allowance (DLA) will be provided to cover many expenses, military personnel are liable for the remainder of the costs.
- **Financial impact on dependents**—Relocation may mean the loss of income for a spouse. The nonmilitary working spouse may qualify for unemployment benefits in certain states. However, there is no universal policy. In addition, children may need physical exams and immunizations to enroll in new schools—and they may require academic tutoring to ensure their success in the new environment.
- **Miscellaneous expenses**—It is impossible to foresee the costs associated with every contingency, but some general expenses are common. For instance, relocating pets may entail shipping costs (especially for overseas moves), veterinary expenses and license fees. Moving a vehicle involves not only transferring it to a new site, but making arrangements for insurance, registration and licenses—whatever the new location.

"By considering these factors and adding together the estimated costs in all categories, it is possible to calculate the total you will need for your moving fund," says Anthes. "Then, divide the total by 30 (the average number of months between moves), and you will know how much you need to save every month." He emphasizes that the gradual development of a fund will alleviate the pressure of sudden cash demands and make for a smoother, less stressful moving experience for the whole family.

## **2. Avoiding Money Drains**

The vicinities adjacent to military bases are often dotted with businesses that are all too anxious to loan money to servicemembers; their proximity is no accident. While such

organizations operate legally, their high interest rates and costly programs can easily trap military families in a dangerous cycle of debt. "This is a serious, ongoing problem for military personnel," Anthes explains. "In examining the issue, we came up with a series of points that can help servicemembers avoid the money drains that have harmed so many."

- Off-base check-cashing stores charge a fee for their services. Yet the same service is available more economically through a bank or credit union, and your base may have a military exchange that will cash checks for free until you establish an account.
- Some of the same stores offer "payday loans," which essentially provide a partial advance on your next paycheck at exorbitant interest rates. Extensions on these loans can carry rates as high as 650 percent or more in many states. As an alternative, take advantage of financial counseling services on base, or consider a short-term loan from a traditional financial institution.
- Off-base pawnshops consistently undervalue property offered as collateral. Many of them also offer title loans, which come with very high interest rates and can easily lead to the loss of your car. Explore other alternatives for short-term cash needs, and take advantage of on-base programs that provide insight and options.

Anthes also advises servicemembers to be cautious when using a military travel card, which is issued in conjunction with permanent change of station orders. The card, similar to a credit card, should be applied to authorized moving expenses only. "Be sure to keep receipts, and file for reimbursements promptly to ensure that money is on hand when the bills arrive."

Being diligent about loans of all types is critical to effective money management. Anthes says, "Military personnel often are the object of aggressive marketing, for everything from credit cards to car loans. In order to make the best financial decisions for themselves and their families, they must understand the pitfalls involved, and they must seek out the most objective information and advice available to them."

### **3. Saving for the Long Term**

With immediate financial concerns under control, military families can begin planning for the future. The issues they face are similar to those that confront all Americans, but servicemembers have unique financial options and considerations that may affect their approach to long-term planning.

For instance, Anthes points out, military personnel have the opportunity to invest in the Thrift Savings Plan (TSP), which offers saving and tax benefits similar to 401(k) plans provided by private companies. With a TSP, you set aside a portion of your pay in a special retirement account managed by the Federal Retirement Thrift Investment Board. The

money that goes into a TSP comes from pretax dollars and reduces your taxable income.

Servicemembers also have access to reasonably priced life insurance. Personnel on active duty are automatically issued a \$250,000 life insurance policy through the Servicemembers Group Life Insurance (SGLI) program.

While military programs are key to financing a family's long-term future, servicemembers should also explore additional alternatives. Anthes recommends that families look into both short- and long-term approaches. "A comprehensive, sound strategy encompasses both savings accounts, which grow slowly over time, and investments, which have greater growth potential, but carry higher risk." Savings accounts are standard bank and credit union accounts. Examples of investments include stocks, mutual funds and bonds.

#### **4. Reporting for Active Duty**

National Guard and Reserve members face a different set of financial issues. The recent war in Iraq not only illustrated the nation's increasing dependence on the Guard and Reserve to provide military support, but also underscored the need for affected families to be financially prepared for a call to active duty.

Most importantly, Anthes says, families of Guard and Reserve members must maintain a fund that can cover the gap between military and civilian pay for at least six months. The reserve fund should include money for basic expenses, plus health care and child care. He warns that the amount of money needed may initially seem daunting, but adds that families can build the fund gradually, in line with an overall spending plan.

It is equally important, Anthes notes, to calculate the gap in benefits between those provided by your normal job and those available while on active military duty. Health insurance is provided for National Guard and Reserve members called to active duty, and TRICARE, a military insurance program, covers dependents of these servicemembers. However, there still may be a shortfall. Anthes advises Guard and Reserve members to consult their employee benefits book for information on benefits during active duty.

"Bear in mind that many employers maintain health care coverage for Guard and Reserve members on active duty," Anthes says. "Others may continue to provide full salaries or may choose to make up the difference between military pay and civilian salary for a period of time." For additional information on the role of employers, contact the Employer Support for Guard and Reserves at <http://www.esgr.org/>, or call the organization at (800) 336-4590.

In addressing the overall financial concerns of military families, Anthes says, "The financial issues we addressed with the NMFA are important no matter the political climate. There is a critical need for personal financial management in all circumstances. However, the current environment brings a new focus to families with members in the armed

services—and these are the people upon which our very future as a nation depends."

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