



# Action Plan:

## BENEFITS CHECKUP

Before you leave the military, you should take advantage of the many benefits the service provides, and make decisions about replacing some of the benefits you may lose.

### THIS ACTION PLAN REQUIRES EIGHT STEPS:

- 1 **Make the most of your transition resources.** Attend your service's Transition Assistance briefings to learn about benefits you can retain and those you must replace. The transition centers have many resources to help with your move from a military to a civilian career.
- 2 **Update your legal documents.** Before you leave the military, meet with the legal affairs office on the installation to make sure your will, power of attorney, health-care proxy, guardian papers and any other legal documents are up to date. These services are free to you. You can also find an [Armed Forces Legal Assistance Program Office](#) in your area, or contact the [American Bar Association](#) Home Front program for assistance.
- 3 **Take Advantage of your Post-9/11 GI Bill education benefits.** These benefits may be used by you or transferred to a spouse or child, but your options change once you leave active duty. So be sure to take the following into consideration before you separate or retire.
  - a. These benefits belong to you. Veterans have up to 15 years following separation or retirement from the military to use their Post-9/11GI Bill education benefits. Approved training under the Post-9/11 GI Bill includes graduate and undergraduate degrees, vocational/technical training, on-the-job training, flight training, correspondence training, licensing and national testing programs, entrepreneurship training and tutorial assistance. Service members who separate on or after January 1, 2013 remain eligible to use their benefits indefinitely – they will never expire. Some can even transfer their benefits to their spouse or children.
  - b. If you don't intend to use your educational benefits, consider transferring them to your spouse or child. This transfer must be approved before you leave active duty. Transfers also require additional obligated service time, so making a transfer early may allow you to serve that time concurrently with service you already planned to perform. If you're unsure whether you might want

### DIFFICULTY:

MODERATE

### WHAT YOU'LL NEED:

- Calculator
- Your financial statements and records

to transfer benefits someday, think about transferring at least one month's educational benefit to each eligible dependent before you separate. You can always change or revoke a benefits transfer later if you change your mind. But once you leave the military, you cannot add a beneficiary.

- c. Your spouse has 15 years to use any benefits you transfer to her or him. Your children have until age 26 to use any transferred benefits. For more information about the Post 9/11 GI Bill and your options, see the [Department of Veteran Affairs](#) website. For more information about transferring your benefits, check out the [U.S. Department of Defense](#) website.

4

**Consider housing costs and taxes.** Whether you plan to move after the military or remain in the same community, keep the following in mind when making your housing decisions. For more on this topic, see our [Housing After the Military](#) Action Plan.

- a. **Housing costs.** Consider the value of your housing allowance, which is partially based upon where you live. You'll no longer receive this tax-free allowance after you leave the military, and the actual cost of housing may be quite different from what you're used to.
- b. **Taxes.** Tax planning should be part of your comprehensive financial plan for leaving the military. If you reside in or move to a state with an income tax, you and your spouse will begin to pay income taxes on any earnings in that state. Some states also tax military retired pay. Consult the [Department of Revenue](#) for your new state to determine tax rates for income, sales and property.
- c. **Learn about VA mortgage loan eligibility.** If you are considering purchasing a home, see the [Department of Veterans Affairs](#) website for information about VA loan eligibility.

5

**Decide what to do with your Thrift Savings Plan (TSP) account.**

You can keep your retirement funds in your TSP account after you leave the military. You don't have to touch the funds until age 70.5, when required minimum distributions begin. The TSP can be an attractive choice for retirement funds because expenses are very low. You may reallocate money among the TSP funds after the service, although you can't make new contributions.

- a. You may be permitted to roll TSP funds into a new employer's retirement-savings plan. Before you move any money, be sure to consider the investment choices within the new employer's plan. Check with the company that runs your new employer's retirement plan, and have them arrange to receive the funds from TSP.
- b. You may also consider rolling the TSP retirement money into an IRA you set up through a bank, brokerage or mutual fund company. This may give you a wider variety of investing choices. Rolling the money into another employer retirement plan is generally more cost effective, as management fees for employer-sponsored defined contribution plans are usually lower than for IRAs.
- c. Beware of salespeople that target members of the military who have substantial TSP balances. They may urge you to switch to expensive investments that could reward the salesperson handsomely. Be particularly wary of claims that these rollovers are "free" or have "no fee." If someone approaches you about moving your retirement money, inquire about the investment's fees and rules, and check out the salesperson's record through [FINRA BrokerCheck](#).
- d. Avoid cashing out your TSP account, which could leave you with an early withdrawal penalty and a large tax bill.

6

- Participate in your new employer's retirement plan.** Even if you stayed in the military long enough to qualify for retired pay (often called a military pension), you'll want to carefully consider the retirement plan options associated with any new or prospective employer.
- a. Find out if your new employer offers a **defined-benefit plan** or pension. Few companies do these days. If one is offered, be sure to understand what it takes to become eligible for—and vested in—the pension plan. Just as in the military, if you leave the employer before becoming fully vested in their pension plan, you likely won't receive any payments in retirement.
  - b. More common these days are **defined-contribution plans**. The most common type is the 401(k), named for a section of the tax code that describes such plans. Here are some details to keep in mind:
    - Civilian defined-contribution plans are similar to the military and federal government's Thrift Savings Plan (TSP). In traditional plans, the pre-tax contributions you make from your salary will lower your taxable income. Those contributions, plus any employer match, will grow tax-deferred for retirement.

- Your employer may “match” some or all of your 401(k) contribution, a benefit that is not available in the military version of the TSP. Matching contributions are funds your employer adds to your 401(k) account over and above the amount you defer from your pay. You don’t owe income tax on matching contributions at the time your company makes them, and they don’t count against your contribution limit. They also compound tax deferred. You will only pay taxes on the contributions and the earnings when you withdraw the funds. Matching isn’t required, but many employers adopt it to attract employees, encourage plan participation or benefit from the corporate tax deduction it provides.
  - A growing number of employers offer a Roth 401(k) option, where employees make contributions with after-tax money—and neither the contributions nor any earnings they generate are taxed down the road when the money is withdrawn. While employers can match Roth-directed contributions, IRS rules require that all matched funds reside in a pre-tax account, just like employer-contributed matching funds in a traditional 401(k) account. As a consequence of this rule, the matching funds your employer contributes to your Roth 401(k) (and any earnings on those funds) will be taxed as ordinary income when you withdraw them. If you contribute to both a Roth and a traditional 401(k), the match is applied first to the traditional 401(k) amount and then, if the matching benefit amount has not been exhausted, to any Roth-directed funds.
  - If your civilian employer matches a portion of your contributions, contribute enough of your own salary to get the full employer match. This is “free money” for you, which should be put to work for you as soon as possible.
- c. If you qualify, you can also contribute to a [traditional or Roth IRA](#), to boost your tax-advantaged retirement savings even more.
  - d. Use our [retirement planning calculator](#) to help set your retirement-savings goals and determine how much to save starting today.
- 7** **Review health insurance coverage.** Retired military and their families retain Tricare eligibility after service. If you separate instead, or choose not to use your Tricare benefit, you need to obtain health coverage elsewhere. Your new or prospective employer may offer insurance, but you will have some decisions to make. When choosing a health plan, consider the premiums, co-payments or co-insurance, deductibles and exclusions. See which doctors or providers are available. There is often a higher fee for “out of network” care than “in network” care.

- a. You probably had few out-of-pocket expenses for health care while in the military. Even if your new employer provides health insurance, you're likely to have to pay part of the premium, plus deductibles and co-payments or co-insurance. Ask whether your prospective employer contributes to a health savings account (HSA) to provide tax-free money to help you cover some of these out-of-pocket costs, or whether you will be able to make pre-tax contributions to a flexible spending account (FSA). **Note:** If you retain eligibility for Tricare following your service, you are not eligible to establish a HSA.
- b. If your employer (or your spouse's employer) doesn't offer health insurance, then you can enroll in the [Continued Health Care Benefit Program \(CHCBP\)](#) for up to 18 months following separation. You have 60 days after you leave the military to enroll. If you're healthy, you might get a better deal by buying your own coverage. If you retire after 20 years in the military, you'll qualify for health care in retirement, but you may also want to purchase supplemental coverage.
- c. If you served in the active military, naval or air service and are separated under any condition other than dishonorable, you may qualify for VA health care benefits. Regardless of what type of insurance you choose, you should [enroll for VA health benefits](#). Once a Veteran is enrolled, that Veteran remains enrolled in the VA health care system and maintains access to certain VA health benefits. Please note that these healthcare benefits do not apply to your spouse or children, unless you have a total and permanent disability.

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8

- Evaluate your life insurance needs.** If your new employer offers life insurance coverage, it's usually limited to one or two times your annual income. Consider whether this amount meets your needs or if supplementary insurance is necessary.
- a. Your low-cost Servicemembers Group Life Insurance expires 240 calendar days after you leave the military. You can convert that policy to Veterans' Group Life Insurance (VGLI) with no medical exam, but the premiums increase over time and can become quite expensive. Get price quotes for individual policies from other insurance companies before you decide about VGLI. See the [VA Life Insurance Handbook](#) for more information.
  - b. If you're healthy, you may find a better deal on your own. Use a [life insurance needs calculator](#) to help figure out how much coverage to get, and then shop around for coverage before your eligibility to convert to VGLI expires. Find out if you can get any life insurance through a new employer. If so, compare the cost to other options.