

ADDITIONAL RESOURCES

For additional information on benefits and programs available to veterans, visit:

DEPARTMENT OF VETERANS AFFAIRS

The government's official VA website
va.gov

USA.GOV

A government-sponsored clearinghouse of benefits and services for veterans
usa.gov

AMERICAN JOB CENTER

A roundup of employment resources for veterans
jobcenter.usa.gov

CONSUMER FINANCIAL PROTECTION BUREAU

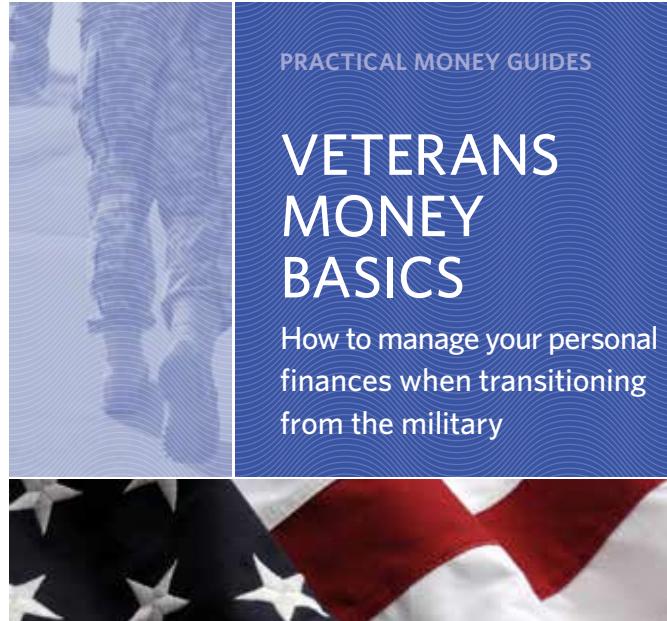
The government agency that oversees consumer financial products and services
consumerfinance.gov

MILITARY ONESOURCE

A confidential, Defense Department-funded organization that provides comprehensive information on every aspect of military life
militaryonesource.mil



Veterans Financial Coalition



COMING HOME TO FINANCIAL SUCCESS

As you prepare to transition into civilian life after serving in the armed forces, chances are you'll have questions about how to ensure your family's future. This guide provides an overview of several important financial topics of interest to veterans and links where you can find additional resources.

VETERANS PRACTICAL MONEY GUIDES

- BUDGET BASICS
- CREDIT HISTORY
- CREDIT CARD BASICS
- DEBIT CARD BASICS
- PREPAID CARD BASICS
- IDENTITY THEFT
- VETERANS MONEY BASICS

Understanding how to manage your finances provides an invaluable tool in taking control of your life. Wise use of these skills can provide peace of mind, financial freedom, increased buying power and a secure future. This guide is one of a series on **PRACTICAL MONEY SKILLS FOR LIFE.**



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This material was created by Visa Inc. for the Veterans Financial Coalition.

For more information, visit
www.practicalmoneyskills.com

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Practical Money Skills
for Life

Tax Breaks for Veterans

Special tax benefits are available to veterans, including:

- **Job hunting deductions.** When transitioning to civilian life, you may be able to deduct costs related to job searches, including travel, resume preparation and outplacement agency fees, and certain moving expenses. (See [IRS Publication 463](#) for details.)
- **Exclusion of veteran benefits.** Numerous veterans' benefits are excluded from federal taxable income including: education, training and subsistence allowances; disability compensation and pension payments for disabilities paid to veterans or their families; grants for homes designed for wheelchair living; grants for motor vehicles for veterans who lose their sight or use of limbs; payments made under the compensated work therapy program.
- **Social Security payroll reduction.** For Social Security tax purposes, military retirement pay is not considered earned income and no Social Security payroll taxes (FICA) will be withheld.
- **Property taxes exclusion.** More than half of U.S. states exempt qualified disabled veterans from some or all property taxes. (See [this article](#) for a list or check your state government's website.)

The IRS's [Armed Forces' Tax Guide](#) provides an excellent summary of many important military-related tax topics.

Retirement Savings Options

Many military personnel participate in the [Thrift Savings Plan \(TSP\)](#), a government-sponsored program that lets you save toward retirement on a tax-deferred basis; that is, you won't pay taxes on your contributions or their investment earnings until you withdraw the money.

When you leave the military, you must decide what to do with your TSP balance. You can:

- Leave your money in the plan – although you can no longer make contributions;
- Roll over your balance into your new employer's plan – typically a 401(k) plan, which shares many features of the TSP;
- Roll it over into an Individual Retirement Account (IRA); or
- Withdraw the cash value of your account.

Although the last option may sound appealing if you're short on cash, beware: If you withdraw money from the TSP before age 59 ½, you have to pay federal (and possibly state) income tax on the distribution and a 10 percent early withdrawal penalty. Plus, you'll lose the long-term earnings potential of leaving your account untouched until retirement.

Consult with a financial professional before taking action. The government-sponsored [National Resource Directory](#) provides links to money management and financial counseling programs – many of which are free or offered on a sliding scale.

Transitioning to Civilian Life

The government provides numerous programs designed to ease the transition to civilian life, such as [Transition GPS](#) (Goals, Plan, Success), which all service members leaving the military are required to attend.

The program's many features include:

- **Pre-separation assessment and individual counseling** to discuss career goals and begin the transition process.

- **Five-day core curriculum**, which includes a financial planning seminar, workshop on veterans' benefits and services, and employment workshop for entrance into the civilian workforce.
- **Two-day optional career-specific curriculum** for those pursuing a higher education degree on the [Post 9/11 GI Bill](#), technical training and certifications, licenses and apprenticeships, or entrepreneurship.

The entire Transition GPS curriculum is available at military installations worldwide, and can also be accessed [online](#).

COMMON SHORT-TERM, HIGH-INTEREST LOANS INCLUDE:

PAYDAY LOAN A short-term loan, also known as a cash advance loan or check advance loan, where someone borrows a small amount at a high interest rate. Typically, the borrower writes a post-dated check for the loan amount plus a fee in exchange for cash. The lender cashes it on the agreed-upon date, usually the borrower's next payday. Rates are capped at 36 percent for military families (still extremely high), but others commonly pay annual percentage rates of up to 400 percent.

CAR TITLE LOAN A short-term loan (usually less than 30 days) where the borrower's car title is used as collateral. The borrower must own the car outright. If the loan is not repaid, the lender can take ownership of the car and sell it to recoup the loan amount. Rates can be deceiving: when annualized, a one-month loan advertised at 25 percent is actually 300 percent.

PAWNSHOP These businesses (or individuals) offer secured loans to people who use personal property as collateral. Depending on what state you live in, the interest rate might be five to 25 percent, per month – annualized, that's 60 to 300 percent. If you can't repay the loan on time, your property will be sold.

The **Consumer Financial Protection Bureau** now has oversight of payday lenders that target military personnel. Military OneSource ([militaryonesource.mil](#)) also has a helpful guide to **Avoiding Money Traps**.

High-Cost Lending Programs

Though military benefits are great, nobody expects to get rich serving in the military. On the contrary, some military families struggle with personal finances, leaving them more susceptible to high-cost lending schemes like payday loans, car title loans and pawn shops.

Although the [Military Lending Act](#) protects active duty, active guard and reserve personnel and their families, those legal protections are not extended to veterans. Therefore, it's important to be aware of how these products work so you won't be put at financial risk.