

Returning Military Need to Plan a Financial Re-entry to Everyday Life

It may be many months – if not years – before U.S. troops make a permanent exit from wartime service. However, it's never too early for military personnel and their families to start talking about the right financial steps to make when returning home.

One of the smartest moves a serviceman or woman can make if they've never done so is scheduling a meeting with a trained financial or tax adviser. This is best done before deployment, but it's never really too late to get advice. In the case of married military personnel, it might be wise for the spouse at home to locate a qualified financial planner near them to start the discussion. The Financial Planning Association can help connect you with experts by geographic area and specialty via PlannerSearch, www.PlannerSearch.org.

Here are some suggestions military personnel and their spouses should follow during deployment or at the end of their service:

Prevent identity theft: If a member of the military on active duty hasn't registered an "active duty alert" with the three major credit reporting companies (Transunion, Experian and Equifax), they should do so immediately. Such an alert – effective for one year but renewable -- automatically stops all credit offers from being mailed to their homes. A call to any one of the credit bureaus will automatically put an alert on an individual's file with all three agencies. For extra protection, get a trusted family member authorized to check your credit report annually and place or remove an alert in your stead.

Know your rights if problems occur: The Servicemembers Civil Relief Act of 2003 provides a variety of financial protections for active duty personnel. The act provides stays on civil litigation including bankruptcy and divorce and prevents wage attachments while military personnel are away. Coverage requires active duty confirmation from a commanding officer but expires 90 days after that status has been terminated. The law also makes it tougher – but not impossible – for landlords to evict military families for nonpayment of rent.

Note credit protections: The 2003 act also freezes credit card, mortgage and some student loan interest at 6 percent if military personnel were approved for the loans before they were called to active duty. On student loans, reservists and active duty members of the military assigned away from their permanent-duty stations may receive a deferment for up to three years on student-loan payments as well as a break on accruing interest on missed payments. Finally, deployed military away for at least six months can terminate a car, truck or other vehicle lease without penalty.

Understand tax issues: Activated and deployed military personnel receive special tax breaks at the federal and sometimes state level. Military income earned by soldiers in combat zones is tax-free and they don't have to file taxes until 180 days after their return. Activated military personnel also are entitled to an extension on the period of time allowed for a tax break on the profits from the sale of a home. They're also entitled to tax breaks on childcare assistance and certain travel. Nontaxable combat pay can also be considered for the Earned Income Credit.

Plan ahead for lump-sum earnings: For returning military receiving accumulated military pay or compensation from civilian employment, it's tempting to take the money and blow it. It makes sense to sit down with a financial and tax adviser before a dime gets spent.

Know injury benefits: The Veterans Administration's Traumatic Injury Group Life Insurance Program (TSGLI), launched late last year, has already distributed more than \$165 million in grants between \$25,000-\$100,000 for wounded troops. Servicemen and women need to register for the program for a monthly fee of \$1 for the extra coverage on top of what they pay for Servicemembers Group Life Insurance.

Don't forget retirement: Military service counts toward vesting for all civilian retirement plans -- even though employers may not always be required to give you your job back when you return. And thanks to the Heroes Earned Retirement Opportunities (HERO) Act enacted in May, military and their families can actually put more money into their traditional or Roth IRA accounts. The act allows tax-free combat pay to be considered as earned income for determining the contribution amount for traditional and Roth IRAs. Before, a military person who earned only combat pay wasn't allowed to contribute to either form of IRA.

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