



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



LETTER FROM THE ACTING DIRECTOR

By Mr. William H. McQuail

The 266th Financial Management Center has undertaken several initiatives that I hope are not news to our customers. We have transferred many labor intensive and time consuming tasks from our customer support teams in 12 communities in Germany to our staff in the Pay Center of Excellence in Kaiserslautern. Our community offices no longer process routine actions in the military pay system; those are sent via transmittal letter to Kaiserslautern. Our community offices no longer perform labor intensive and time consuming separation payment reviews and audits; this task is also now performed in Kaiserslautern. This has allowed our community customer support teams to concentrate on customer service. They have all expanded their operating hours and are looking into initiatives to provide better support to Commanders in the critical task of processing the monthly Unit Commander's Finance Report (UCFR). We have obtained additional resources through temporary positions in support of contingency operations that have freed up our permanent staff to concentrate on garrison support, particularly in Italy. We have Soldiers from the 106th Financial Management Company in various locations train on their technical skills, when possible, in support of our community operation. Similar improvement initiatives are under way in Belgium to improve our support there, as well as the many remote sites supported by our office in BENELUX.

As always, we hope you find the 266th FMC Newsletter informative, current and useful.

POLICY UPDATES

OHA SURVEY IMPACTS UTILITY BENEFITS

By SSG John O'Connor

The Germany annual Overseas Housing Allowance (OHA) Utilities Expense Survey is being conducted from

INSIDE THIS ISSUE

Letter From the Deputy Director	1
Policy Updates	1-2
Italy Finance Updates	3
Belgium Finance Office	3
Banking	4-5
Important Contacts	6-9
Finance Links	9-10
Finance Tips	11-12
Tax Updates	13

1 March to 15 April, 2011 in order to poll all military personnel who reside off-post/base in privately leased or rental housing. Originally the survey was to run until 31 March however additional time has been allowed for increased participation in the survey. The intent of this annual survey is to identify how much Service members have spent during the previous year for utilities (e.g., electricity, heating fuel, water, trash removal, and sewer fees). Every year the Defense Travel Management Office (DTMO) conducts this survey to update the rates which are paid to Soldiers for these expenses. Emails are sent directly to many Soldiers from the DTMO and others are encouraged to complete the survey from the DTMO website <https://www.defensetravel.dod.mil/ss/wsb.dll/s/eg4a> or can link to the site directly from the USAREUR webpage.

The survey takes approximately 30 minutes to complete and Soldiers are encouraged to have all actual bills or records of their utility expenses and maintenance expenses for the last twelve months. Soldiers are expected to compute a monthly average for where they have resided in Germany for the majority of the last twelve months.

All eligible Soldiers are encouraged to participate in the survey so the most accurate picture of utility expenses can be obtained for each of the local communities and across Germany as a whole; an updated picture of what Soldiers are paying for utilities will reduce Soldier out-of-pocket expenses, as the allowances paid will be a direct representation of Soldier's actual bills. OHA rental ceilings will



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POLICY UPDATES

continue to be calculated with data from the pay system and thus are not part of the survey; however, a continual updating process is used to ensure rental cap authorizations reflect the true rental amounts for all the communities across Germany.

Additional information can be obtained from the USAREUR, G1. Point of contact is Mr. Bill Gordon at DSN 370-3888 or by email to bill.gordon@eur.army.mil

EAGLE CASH CARD

By CPT Ameica Banks

Over the last few months several Soldiers have asked the question “Why do

I need an Eagle Cash Card (ECC)?” The answer is; the Eagle Cash Card is convenient, safe and fun to use! My answer may not be that persuasive; however, I hope to explain the reason for issuing the Eagle Cash Card (ECC) and the benefits to having one in the next few paragraphs.

The Eagle Cash Card (ECC) is a management application that uses stored-value card technology to support deployed U.S. military personnel and contractors. It looks like a debit card and interfaces with automated kiosk devices, similar to an ATM machine, located on approximately 50 U.S. military installations, camps, or bases in eleven countries around the world. The ECC allows cardholders to access funds in their U.S. checking or savings accounts, 24 hours a day, seven days a week.

The eagle cash card is an alternative to the government’s initiative to limit the circulation of U.S. currency in deployed



environments. This effort is managed jointly by the U.S. Army, U.S. Air Force, and U.S. Department of the Treasury, using smart-card technology. The ECC reduces the administration expense of processing credit cards and checks. All military branches are currently using the ECC, which is also referred to as the Store Value Card (SVC). This card is your one-card access and payment to purchasing goods and services in post exchanges or base exchanges, post offices, ships stores, vending machines, and morale, welfare and recreation (MWR).

Eagle Cash has been in existence since 1999. The first time that I saw the ECC or SVC system was at the “Tank Hill” Shoppette for Basic Trainees on Fort Jackson, South Carolina. The Soldiers in Basic Training would use the ECC to pay for items, such as haircuts, snacks, and phone cards. Now you can find Eagle Cash Card kiosks on every Army and Air Force basic training installation in the U.S., overseas at bases with deployed troops, as well as on ships at sea. Funds can be added to and withdrawn from the card without visiting the finance office; and best of all, every transaction is free.

The 266th FMC encourages all units to receive Eagle Cash Cards prior to deployment at the Soldier Readiness Processing (SRP) or Mobilization/Demobilization site in the U.S. or overseas. The local Finance Office or Finance Support Team (FST) will assist all units with enrollments. If an Eagle Cash card is lost or stolen, report the incident immediately to the local FST. Lost or stolen cards will be locked out, and the finance office/FST will issue a new card with all funds within 48 hours. Because all cards are secured with a personal identification number and linked to individual bank accounts, Soldiers will incur no loss of funds or replacement card fees. Prior to redeploying Soldiers can transfer the remaining balance on their ECC back to their checking or savings account. If you have any problems with your ECC, please contact your nearest Finance Office/FST in the contingency area of operation.



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

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ITALY FINANCE OFFICE

MILITARY PAY CUSTOMER SERVICE CHANGES

By Mr. Mark Jackson, Italy Finance Office Director

This article applies to Italy Finance customers only.

Based on upcoming deployment, Charlie Detachment, 106th Financial Management Company will be out of the office on 1 June 2011. In preparation for the Finance Detachment deploying, the Italy Finance Office has implemented and is enforcing that all SSG and below utilize their PACs/S-1s before coming to Finance. This is an effort to have the PACs/S-1s assist their units with basic pay issues. This in turn will reduce the number of Soldiers that we see every day at Finance, which will result in less waiting time and faster service.

To ensure all PACs/S-1s are prepared to assist their units with the basic finance issues, we have recently started attending and briefing at the USARAF G-1 meeting, which take place every 2 weeks. At these meetings, we discuss with PAC/S-1 points of contact areas of concern, policy changes and ongoing financial trends. On 17 March, we discussed the Unit Commander's Finance Report (UCFR) and the change to the daily military pay customer service operations.

We appreciate your support in assisting the Italy Finance Office with providing you the best service that we can.

ITALY FINANCE OFFICE SEPARATIONS

By Mr. Mark Jackson, Italy Finance Office Director

This article applies to Italy Finance customers only.

The Italy Finance Office is continually striving to improve the service we are providing to our customers. The Italy Finance Office Separations Section is available to meet with any Soldier who will be retiring/ETSing/or being

chaptered, even prior to their LEVY Brief. The Italy Finance Office Separations Section meets one on one with the Soldiers for their Final-Out Appointments. During this meeting, the Separations Section ensures that the Soldier has:

1. The Separations point of contact information
2. A travel voucher
3. The address to send the voucher once travel is complete
4. Answers to any questions the Soldier may have
5. A time frame of when to expect the separations payment

Starting 1 April 2011, we will be improving this service. In addition to the services listed above, we will provide Soldiers with a worksheet; will go over it in detail; and ensure there are no discrepancies or perceived discrepancies. When the Soldier leaves this one on one meeting, s/he will know how much money they are scheduled to receive and an estimated date of when they will receive it.

BELGIUM FINANCE OFFICE

By CPT Andrea Darling

I'd like to begin with letting you know that we were honored to have MG McQuiston visit and tour our office on 15 March. She was here only for a brief period but we appreciate her taking the time to visit.

Have you heard about allotments to foreign bank accounts? Currently service members are only able to have allotments go to their bank accounts in the United States. A work around for servicemembers who do not have access to a military banking facility overseas is currently being tested; and is so far successful. Now we are currently working out the legality of the process and developing a policy memorandum for implantation. Upon approval, this program will make the process of depositing money in your local bank accounts very easy and reduce some of the risk of carrying large amounts of money around. Stay tuned for more information.



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BANKING

OVERSEAS MILITARY BANKING EX- CHANGE RATE OFF- SET BY OTHER BENE- FITS

By CPT Chris Wurst



The foreign currency exchange rates at Department of Defense (DoD) Community Bank branches differ from rates offered by other financial institutions or published in U.S. or foreign media. These differences often result in questions to bank branch managers and confusion among the bank's military and federal employee customers.

Officials at the Defense Finance and Accounting Service (DFAS) overseeing the bank's operations said these differences result from computations known as the Community Bank Accommodation Rate.

The Accommodation Rate increases the cost of foreign currency sales by 2.5 percent to defray costs associated with currency acquisition and delivery to bank customers. This is added to the currency value as purchased from in-country sources.

An important point for military members stationed overseas is that the increased costs from the Accommodation Rate are offset in their Overseas Housing Allowance (OHA) and Cost of Living Allowance (COLA) payments. Both allowances include increases equal to the amounts they would spend using DoD Community Bank's foreign currency sales.

For OHA computation, the rent and utility costs of each military member living on the local economy is recorded in their military pay system in the appropriate currency. When DFAS computes their monthly payrolls, the value of this foreign currency is converted to U.S. dollars using the Accommodation Rate.

COLA amounts result from annual surveys conducted in foreign communities to determine the value of goods and services in foreign currency amounts. The resulting computation takes in the lower foreign currency rates at DoD Community Bank to ensure members are not affected by the Accommodation Rate's 2.5 percent increase and can still make purchases off base.

DoD Community Bank branches are operated overseas by the Defense Finance and Accounting Service through a competitive solicitation process and award of a contract to a stateside financial institution. The current contractor is Bank of America. Banking products, services, fees and charges are determined by the military departments. All revenues received from fees and charges are used to offset the cost of the banking program. The bank contractor does not profit from nor receive any incentive from the revenues generated. Community Banks are also not in competition with local foreign banks, but are established to support the U.S. dollar economy on bases overseas and to provide stateside-like banking services to individuals and organizations.

GENERAL TOURS COMMUNITY BANK FA- CILITIES ON MIESAU

Taken from Kaiserslautern American 11 March 2011

The commanding general of the 21st Theater Sustainment Command toured Community Bank facilities Feb. 15 in order to gain a better understanding of how the 21st TSC's 266th Financial Management Center and the Community Bank financially support servicemembers and their families stationed in Europe.

During the tour, Maj. Gen. Patricia McQuiston spoke with Community Bank employees and the 266th FMC leaders on the process of procuring and transporting currency to the Community Bank branches and military disbursing offices. General McQuiston also received a hands-on demonstration of how the Community Bank processes coin and currency for distribution.



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BANKING

“In order to provide U.S. currency to servicemembers stationed overseas, the 266th FMC utilizes a custody account. Custody accounts are arrangements approved by the Department of the Treasury and allow U.S. Armed Forces personnel to hold U.S. dollars in Europe,” said Capt. Chris Wurst, U.S. Army Europe banking and credit union liaison officer, 266th FMC.

U.S. currency is physically held in the government’s contractor-operated military banking facility, the Community Bank, which is currently managed by Bank of America. The Community Bank maintains the custody account funds throughout more than 40 Community Bank branches and 150 ATMs located in Germany, Italy, the U.K. and the Netherlands.

The 266th FMC also utilizes the custody account to provide cash delivery to three separate combatant commands: U.S. European Command, U.S. Africa Command and U.S. Central Command at 14 military disbursing offices located in places like Egypt, Kosovo, Kuwait, Spain and Turkey, Captain Wurst said. In addition, the custody account is utilized to support the Military Overseas Banking Program via the Community Bank.

“The Department of Defense’s overall objective for the Military Overseas Banking Program is to provide full banking services that are comparable to those available in the U.S.,” Captain Wurst said.

These services are provided to active-duty U.S. military personnel; DOD civilian employees who are U.S. citizens; U.S. citizens who are employees of all other U.S. government departments, agencies, private organizations and nonappropriated fund instrumentalities carrying on functions on a DOD installation overseas; as well as authorized family members of such military and civilian employees.

(Courtesy of the 266th Financial Management Center)



Community Bank personnel show Maj. Gen. Patricia E. McQuiston, commanding general of the 21st Theater Sustainment Command, how coins are counted utilizing a coin counterfeit and foreign coin detection counter in the coin rolling room of the Community Bank at Miesau Army Depot, Germany.



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



IMPORTANT CONTACTS

BENELUX Finance Office

Building 212, Room 123

<i>OIC</i>	423-5251
<i>NCOIC</i>	423-8371
<i>Travel Chief</i>	423-4843
<i>Disbursing Chief</i>	423-4687
<i>Accounting Lead</i>	423-8370
<i>CVS Chief</i>	423-5397
<i>Military Pay NCOIC</i>	423-8365
<i>Retirement & Separations Lead</i>	423-7640
<i>In/Out Processing Tech</i>	423-8364

Hours of Operation

*Military Pay IOP / Retirement & Separations / Ac-
counting / CVS*
Mon – Fri 0900-1600

Disbursing
Mon – Wed, Fri 0900-1600
Thu 0900-1700

ITALY Finance Office (IFO)

<i>Director</i>	634-7612
<i>Travel Chief</i>	634-6444
<i>Retirement & Separations Lead</i>	634-8265
<i>In/Out Processing Chief</i>	634-7450/6734/7531
<i>MILPAY</i>	634-8855

Hours of Operation

*In/Out Processing / Retirement & Separations / Ac-
counting / CVS/Local National Pay*
Mon – Fri 0900-1200; 1300-1600

Disbursing
Mon – Wed, Fri 0900-1600

MILPAY
Mon - Wed, Fri 0900-1200; 1300-1530

266th FMC Separations

Chief of Military Pay
483-6740

Separations Lead
483-6630

MILPAY Technicians
483-7109/7103/6492/6630/6446

DTS Helpdesk: 483-6746/6747 or email at 266DTSHELP-DESK@EUR.ARMY.MIL .



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



IMPORTANT CONTACTS

FCST Hours of Operation

Mon thru Fri:

0830-1200 Soldier and PAC/S1

Customer Service

1200-1300 Closed for lunch

1300-1600 Soldier and

PAC/S1 Customer Service

Schweinfurt FCST

Building 40 Conn Barracks

FCST Chief
353-8697

Lead Tech and Separations
353-8684

Inprocessing
353-8853

Travel
353-8855

Ansbach FCST

Building 5818 Room 308 & 316 Katterbach Kaserne

FCST Chief
467-3337

Lead Tech
467-3322

In and Out Processing
467-3338

Separations
467-3288

Travel
467-3318

Bamberg FCST

Building 7290 Room 102 & 108 Warner Barracks

FCST Chief
469-8667

Lead Tech
469-8614

Inprocessing and Customer Service
469-7423

Separations and Customer Service
469-9191

Vilseck FCST

Building 215 Room 132-134

FCST Chief
476-3490

Lead Tech, Customer Service
476-3491

Travel
476-2966

Separations
476-3490

Customer Service
476-3491

Grafenwoehr FCST

Building 244 Room 214

FCST Chief
475-6765

Customer Service
475-8651/6619

Travel
475-7286/6957



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



IMPORTANT CONTACTS

FCST Hours of Operation

Mon thru Fri:

0830-1200 Soldier and PAC/S1

Customer Service

1200-1300 Closed for lunch

1300-1600 Soldier and

PAC/S1 Customer Service

Baumholder FCST

Building 8670 Rooms 20 & 21 Central Processing Facility

FCST Chief
485-7217

Lead Tech
485-6955/6697

In/Out Processing and Travel
485-6697

Separations
485-6314

Customer Service
485-6697

Hohenfels FCST

Building 10 Room 103

FCST Chief
466-2031

Customer Service and Travel
466-2030

Separations
466-2030

Kaiserslautern FCST

Building 3245 Room 12 Kleber Kaserne

FCST Chief
483-6062

Lead Tech
483-6149

In Processing and Travel
483-6025

Customer Service
483-6008/6009

Wiesbaden FCST

Building 1023W 2nd Floor Wiesbaden Army Air Field

FCST Chief
337-5128

Lead Tech
337-4766

Finance Technicians
337-5529/5431/5501

Heidelberg FCST

Building 3850 Room 180 Heidelberg Shopping Center

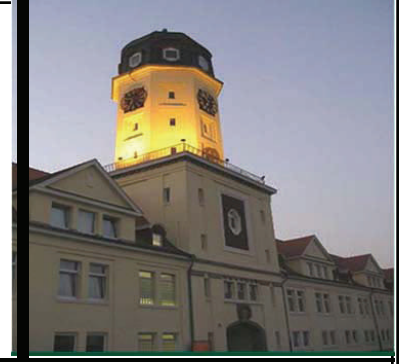
FCST Chief
370-8570

Finance Technicians
370-7233/3066/6444



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



IMPORTANT CONTACTS

FCST Hours of Operation

Mon thru Fri:

0830-1200 Soldier and PAC/S1

Customer Service

1200-1300 Closed for lunch

1300-1600 Soldier and

PAC/S1 Customer Service

Stuttgart FCST

Building 2913 Rooms 013-015 Panzer Kaserne

FCST Chief

431-3181

Lead Tech

431-3197

In-Processing

431-2464

Separations

431-3102

Travel

431-3197

Customer Service

431-3102

Mannheim FCST

Building 255 Basement Sullivan Barracks

FCST Chief

385-2745

Customer Service

385-2959/2748

Separations and In/Out Processing

385-2231

Travel and In/Out Processing

385-2741

FINANCE LINKS

Soldier Links

266th FMC Website:

<http://www.21tsc.army.mil/266Finance>

MyPay Website

<https://mypay.dfas.mil/mypay.aspx>

Thrift Savings Plan Website:

<http://www.tsp.gov>

Interactive Customer Evaluation (ICE) Website:

<https://ice.disa.mil/index.cfm>

Overseas Cost of Living Allowance:

<http://perdiem.hqda.pentagon.mil/perdiem/allowcol.html>

Basic Allowance for Housing:

<http://perdiem.hqda.pentagon.mil/perdiem/bah.html>

Overseas Housing Allowance:

<http://perdiem.hqda.pentagon.mil/perdiem/allooha.html>

Government Meal Rates:

<http://perdiem.hqda.pentagon.mil/perdiem/faqgovmeals.html>

Per Diem Rates:

<http://perdiem.hqda.pentagon.mil/perdiem/pdrates.html>

Mileage Rates:

<http://perdiem.hqda.pentagon.mil/perdiem/faqpovpast.html>

Dislocation Allowance Rates:

<http://perdiem.hqda.pentagon.mil/perdiem/dla.html>



FINANCIAL MANAGEMENT NEWSLETTER, 3RD
QTR 1 APR 2011

“ALL ALONG THE CLOCK TOWER”



FINANCE LINKS



Regulation Links

DoD Per Diem, Travel, and Transportation Allowance Committee Website :

<http://perdiem.hqda.pentagon.mil/perdiem/>

DoD Financial Management Regulation 7000.14-R

<http://www.defenselink.mil/comptroller/fmr/>

Military Pay Policy Messages

<https://dfas4dod.dfas.mil/centers/dfasin/library/milpay/policy08/index.htm>

Military Personnel Policy Messages

<https://perscomnd04.army.mil/milpermsgs.nsf>



Travel Links

DoD Per Diem, Travel, and Transportation Allowance Committee Website :

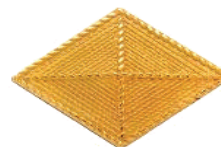
<http://perdiem.hqda.pentagon.mil/perdiem/>

DoD Defense Travel System:

<http://www.defensetravel.osd.mil/dts/site/index.jsp>

Defense Travel Management Office

<http://www.defensetravel.dod.mil/>



Finance Organization Links

266th FMC Website:

<http://266fincom1.hqsaureur.army.mil/>

Office of the Secretary of Defense Military Compensation Website:

<http://www.defenselink.mil/militarypay/>

Asst Secretary of the Army for Financial Management and Comptroller

<http://www.asafm.army.mil/>

U.S. Government Accountability Office:

<http://www.gao.gov/index.html>

DFAS Website:

<http://www.dfas.mil/>

US Army Financial Management School

<http://www.finance.army.mil/>

US Army Finance Command

<http://www.asafm.army.mil/fo/fod/fincom/fincom.asp>

US Department of Veteran's Affairs

<http://www.va.gov/>



Don't end up with (just) pennies

Understanding bankruptcy rules and consequences is key to rebuilding finances

Debt got you down? You're not alone. Consumer debt is at an all-time high.

What's more, many consumers respond by filing for bankruptcy.

Whether your debt dilemma is the result of an illness, unemployment, or simply overspending, it can seem overwhelming.

In your effort to get solvent, be on the alert for advertisements that offer seemingly quick fixes.

While the ads pitch the promise of debt relief, they rarely say relief may be spelled b-a-n-k-r-u-p-t-c-y.

While bankruptcy is one option to deal with financial problems, it's generally considered the option of last resort. The reason: its long-term negative impact on your credit.

Bankruptcy information (both the date of your filing and the later date of discharge) stays on your credit report for 10 years, and can hinder your ability to

get credit, a job, insurance, or even a place to live.

The Federal Trade Commission (FTC) cautions consumers to read between the lines when faced with ads in newspapers, magazines or even telephone directories that say: "Consolidate your bills into one monthly payment without borrowing."

"STOP credit harassment, foreclosures, repossessions, tax levies and garnishments."

"Keep Your Property."

You'll find out later that such phrases often involve filing for bankruptcy relief, which can hurt your credit and cost you attorneys' fees.

If you're having trouble paying your bills, consider these possibilities before considering filing for bankruptcy:

1. Talk with your creditors. They may be willing to work out a modified payment plan.

2. Contact a credit counseling service. These organizations work with you and your credi-

tors to develop debt repayment plans. Such plans require you to deposit money each month with the counseling service.

The service then pays your creditors. Some nonprofit organizations charge little or nothing for their services.

3. Carefully consider a second mortgage or home equity line of credit. While these loans may allow you to consolidate your debt, they also require your home as collateral.

If none of these options is possible, bankruptcy may be the likely alternative. There are two primary types of personal bankruptcy: Chapter 13 and Chapter 7.

Each must be filed in federal bankruptcy court and come with fees. Attorney fees are additional and can vary.

The consequences of bankruptcy are significant and require careful consideration.

In 2005, Congress made sweeping changes to the bank-

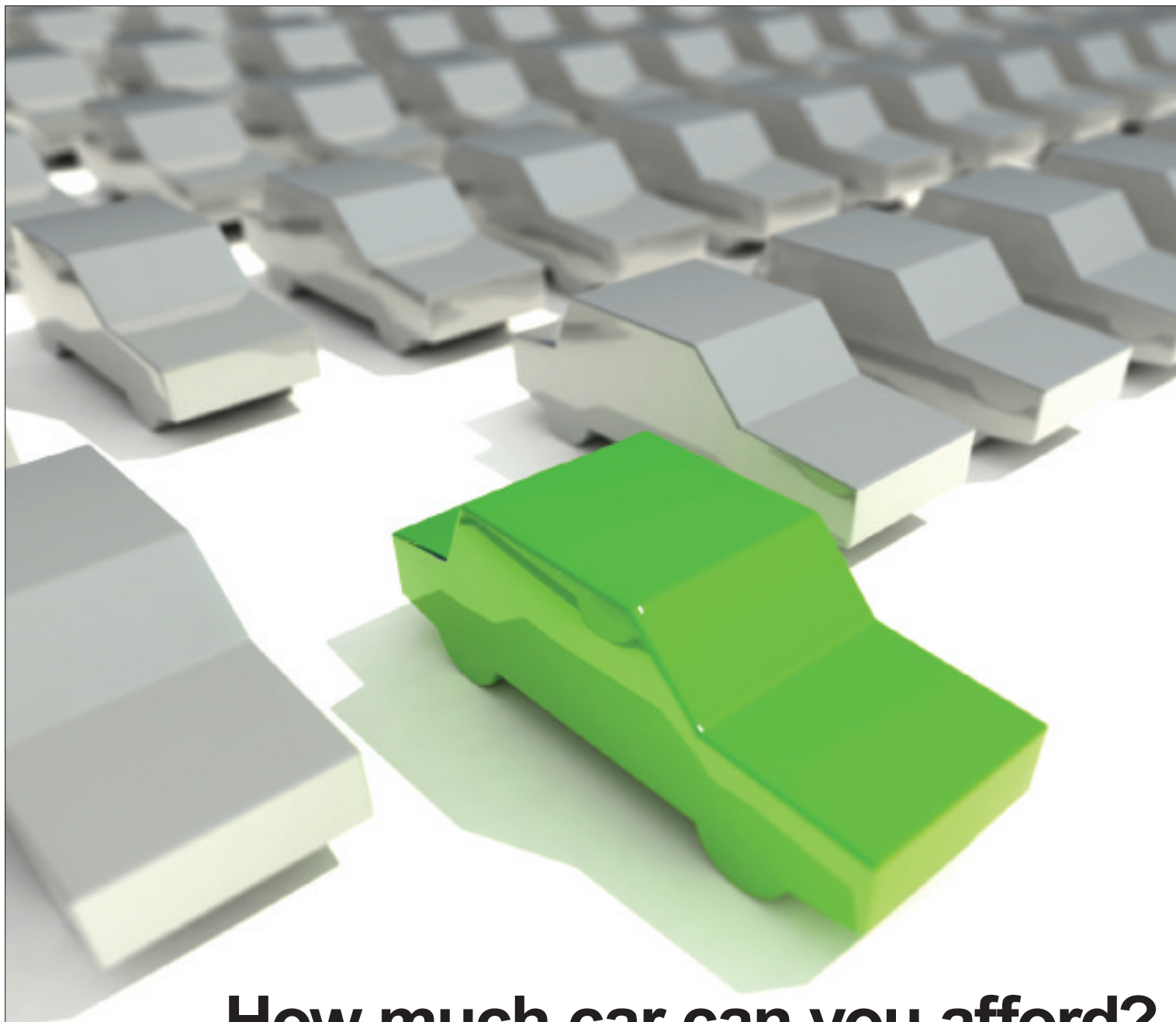
ruptcy laws. The net effect of these changes is to give consumers more incentive to seek bankruptcy relief under Chapter 13 rather than Chapter 7. Chapter 13 allows you—if you have a steady income — to keep property, such as a mortgaged house or car, that you might otherwise lose.

In Chapter 13, the court approves a repayment plan that allows you to use your future income to pay off your debts during a three-to-five-year period, rather than surrender any property.

After you have made all the payments under the plan, you receive a discharge of your debts. Chapter 7, known as straight bankruptcy, involves the sale of all assets that are not exempt.

Exempt property may include cars, work-related tools, and basic household furnishings.

—www.ftc.gov



How much car can you afford?

If recent car-buying advice has your head spinning, you're not alone. In an uncertain economic climate, conflicting messages can reassure you one minute and cause worry the next.

In the days of easy credit, consumers were urged to finance at the top of their comfort zone. If you're now on a more practical path, you want a deal that doesn't max you out. Our all-new guide can get you started:

1. Budget. Set a target dollar figure and run it through a car loan calculator to get an idea of the monthly payment. Before the economy took a plunge, personal finance experts sug-

gested that a total household car budget — whether you're paying for one car or three — should be about 20 percent of net income. Today, you may feel more comfortable at a more modest figure.

The cost of owning a car doesn't stop at the sticker price. Your budget needs to factor in total ownership costs, including insurance, as well as fuel and maintenance costs. Calculators like True Cost to OwnSM on consumer advocate site edmunds.com can help you see the whole picture.

2. Financing. A pre-approved loan puts you in control. Dealers know you can take your loan anywhere and

may offer a lower price and even better in-house financing. Making a significant cash down payment — at least 15 percent — will lower your monthly payment and prevent you from getting "upside down" — owing more than the car is worth.

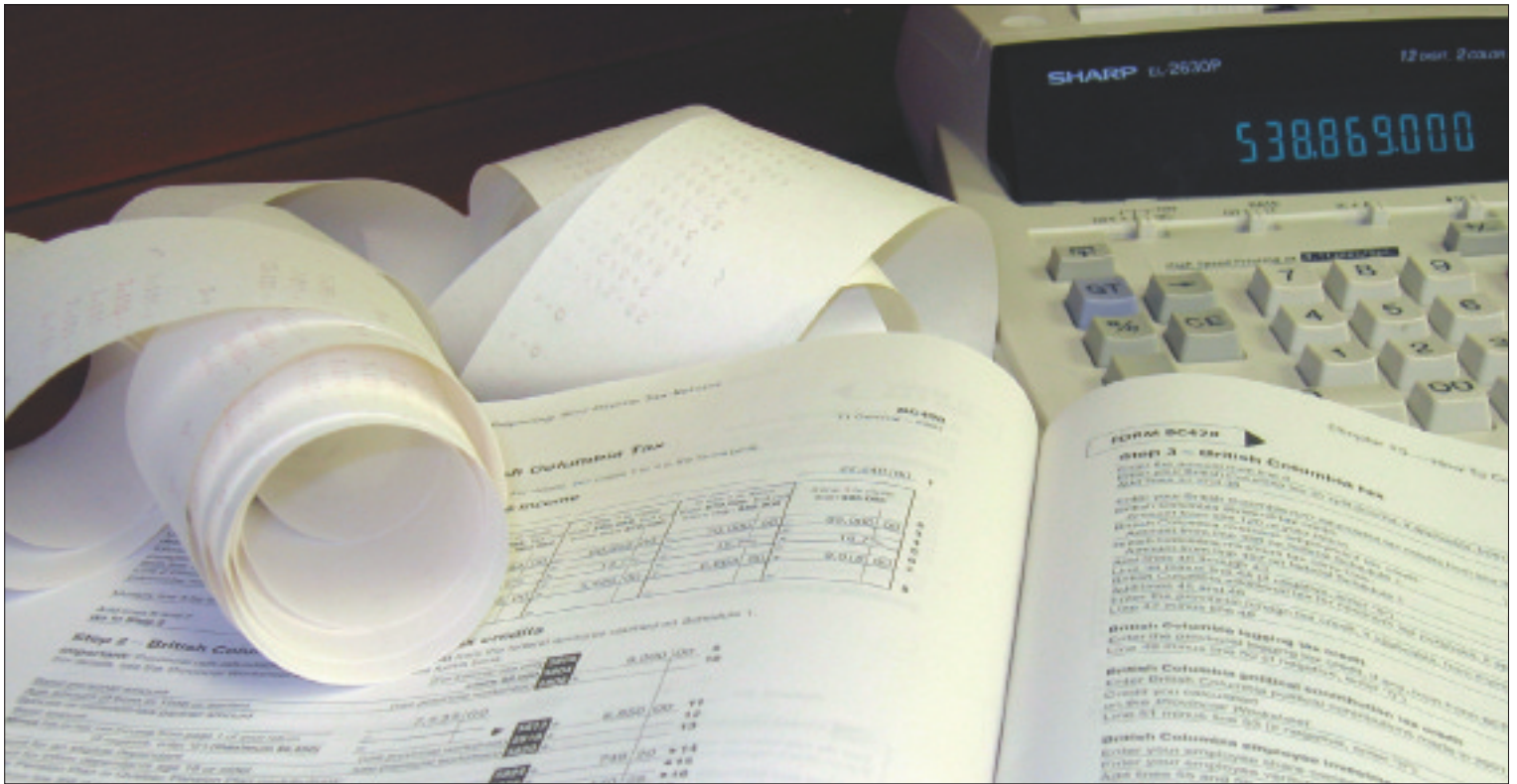
3. New vs. used. The shine and new car smell — we still like it. Dealers are offering thousands off, and they're not stopping at gas-thirsty trucks and SUVs. Ask about cash rebates, free gas, entertainment systems and other incentives on top of the dealer's best offer.

You can save up to 30 percent off of new car prices just

by crossing over to the used lot for cars that look and drive like new. Look for certified pre-owned cars with the manufacturer's warranty. Know the NADA and Kelley Blue Book values and ask for the vehicle history and the certification inspection sheet.

4. Is leasing still around? Once popular, leases lost their luster for some drivers, frustrated by mileage penalties and balloon payments. Still, there are advantages, like zero maintenance and no trade-in hassles. Leases can be good for business owners and people who prefer new cars every two to three years.

—USAA



Tax tips every servicemember needs

Life in the military can demand sacrifices — some personal, some financial. But in many cases, Uncle Sam recognizes those hardships and offers special privileges to compensate. When it comes to paying taxes, for example, military members can claim a host of tax advantages that aren't available to civilians. Here are a few to keep in mind:

COMBAT PAY PERKS

1. **Tax Freedom:** If you serve in a combat zone as an enlisted person or as a warrant officer for any part of a month, all of your income received during that time is exempt from federal taxes. For officers, the monthly exclusion is capped at the highest rate of enlisted pay, plus any hostile fire or imminent danger pay received. Iraq, Afghanistan and Kosovo all qualify as combat zones.

2. **Savings Potential:** Tax-free pay can provide a great opportunity to save extra money or reduce debt. In fact, IRS rules allow tax-free combat pay to be used for contributions to an Individual Retirement Account (IRA). Since your IRA can grow tax deferred until you withdraw the money, the larger contributions today can provide a real

savings boost over the years. You can make a 2009 IRA contribution and a spousal IRA contribution until the April 15, 2010, tax filing deadline, plus any applicable extensions.

EXCEPTIONS TO THE RULES

1. **Extra time:** When you're defending our country, your tax return is probably the last thing on your mind. You can't put off filing taxes forever, but you and your spouse may qualify for a deadline extension of up to 180 days after you've returned from a combat zone, hazardous duty area or certain other deployments.

Extensions apply to several actions, including:

- Filing returns
- Paying taxes
- Making claims for refunds
- Contributing to IRAs

2. **Filing Remotely:** Generally, joint returns must be signed by both spouses. However, if your duties keep you away from home, your spouse can use a power of attorney to file a joint return on your behalf.

HELP WITH EXPENSES

1. **Moving Deductions:** Moving every few years gets expensive for active duty members. But if your move is a required per-

manent change of station, the IRS allows you to deduct the "reasonable unreimbursed expenses" of relocating yourself and your family.

2. **Separation Assistance:** If you're transitioning back to civilian life, you may be able to deduct some costs you incur while looking for a new job. Expenses may include:

- Travel
- Resume preparation fees
- Outplacement agency fees

Moving expenses may be deductible if your move is closely related to the start of work at a new job location and if you meet certain tests.

BREAKS FOR GUARD AND RESERVE MEMBERS

1. **Travel Deductions:** If you're called more than 100 miles away from home to perform your reserve duties, you can deduct any unreimbursed travel expenses.

2. **Uniform Deductions:** If you are prohibited from wearing certain uniforms when off duty (a rule that usually applies to reservists), you can deduct the cost to buy and maintain those uniforms. But you must reduce your expenses by the amount of any uniform allowance or reimbursement you receive.

3. **Waived Penalties:** A call to active duty sometimes creates financial hardship for reservists whose military income is much lower than their civilian pay. If a cash crunch causes you to take money from your IRA, 401(k) or certain other retirement plans, the IRS may waive the 10 percent penalty tax normally applied for withdrawals before age 59½. You'll still be subject to pay income tax on the distribution, but without the extra sting of the penalty.

FREE TAX ASSISTANCE

1. **On Base:** Most military installations offer tax help to servicemembers and their families through the Volunteer Income Tax Assistance Program. VITA's certified community volunteers are trained by the Internal Revenue Service and understand military-specific tax issues. Best of all, their advice and tax preparation services won't cost you a penny.

2. **Online:** For complete details, download IRS Publication 3, Armed Forces' Tax Guide, which summarizes many important military-related tax topics. Publication 3 may also be ordered by calling 1-800-TAX-FORM (800-829-3676).

—USAA