

Transcript - Financially Steady Mission Ready Podcast

My name is Dave Julian and I work in the Department of Defense's Office of Personal Finance. My office is responsible for educational programs and policies that will help our service members and families be financially ready and be able to have those tools to make good financial decisions.

DoD has long believed that the personal financial readiness of service members and their families directly supports mission readiness. So to that end, we have facilitated programs and educational resources for our service members to take advantage of, again, so they can do the right things financially.

In 2003, the Department of Defense launched something called the Financial Readiness Campaign, which was a concerted effort by the department to help alleviate the stressors that financial problems can pose to our service members and families. The platform, if you will, of the campaign is represented by what we call eight pillars of personal financial readiness. And that represents kind of the level of financial literacy that we'd like to instill in all service members and their families.

The first that is in the eight pillars of personal financial readiness is, understanding good credit. You shouldn't live on it, you shouldn't rely on it, but establishing credit is very important because it will determine interest rates on loans for the rest of your life. So if you've got a good credit report, a good credit rating, it'll save you \$250,000 over the course of a lifetime in interest alone. So, understanding credit, understanding how to read a credit report, and understanding the value of credit is very important and something all single service members should understand very early on. Where do you go for help? Where do you go to understand that? The financial classes offered on your base, the personal financial manager on your base, or call Military OneSource. They can help you understand that as well. The number is 1-800-342-9647.

Another pillar is, have your spending plan. Have your long-term plan and stick to it. That'll help you understand where your money goes. In fact, there's a saying that says, tell your money where to go before you start wondering where it went. And that's what a spending plan can do.

Also, routine savings. Being single, being young is a great time to start your savings plan and getting money socked away for emergencies. We recommend at least \$500 in an emergency fund to take care of life's little contingencies. Because you never can anticipate all contingencies, so it's great to have an emergency fund in case those little glitches come that require some pay. And again, routine savings is the key. If you start putting money away in a routine savings account, once you get \$500 or so put away in an emergency account, try to save three to six months worth of expenses. That is a tall order for some members, but it's just a good goal to shoot for, because again, the more money you have saved, the more flexibility you'll have when you do have one of life's little financial emergencies.

Thrift Savings Plan, Savings Deposit Program are two programs that are benefits that should be taken advantage of. Most people have heard of the Thrift Savings Plan. It's kind of a military 401(k) plan. It's an official benefit and the nice thing is if you start investing in it, you actually get a tax break. As much money as you put into your TSP actually lowers what your

taxable income is. But more importantly, it starts you on a long-term investment plan that can either augment your retirement if you want to go the full 20, or just take with you and roll over to another 401(k) style plan when you leave the military. Talk to your personal financial manager or Military OneSource, but annually you can devote up to \$16,500 in pretax funds. If you're deployed to a combat zone, your maximum is \$49,000, which includes that \$16,500. I know it may sound a little confusing, but again, the message is enroll in TSP. There is no better investment plan—401(k)-style plan around and it's recognized really as the low-cost civilian standard in the military community. And it's a military federal program, which is great.

The other program is the Savings Deposit Program, which is available only to deployers to a combat zone, and it's a plan you can basically start investing in while you're deployed and get a guaranteed 10 percent return on your investment, up to \$10,000 invested. You can't find a guaranteed 10 percent return on investment anywhere. You might be able to find investments that get you 10 percent, but not guaranteed. And, so this is again, a great program for deployers. So, those are two programs that constitute their own pillar in the big plan.

Also, SGLI, an insurance. If you're single, don't opt out of SGLI because you think you're saving money. A lot of single service members think, well, I haven't got a family yet, I'm just not going to get life insurance. Why would I need that? The message for single service members is to resist that temptation to opt out of SGLI because someone back home that you love could benefit from that SGLI money should something occur in theater, or just basically occur while you're serving in the military.

The last three pillars: one is low-percentage loans. Understand that there are alternatives to you. Rather than going outside the gate and getting a payday loan at one of those payday loan places you see out in town. The places to go are, you can go to your family centers and the military relief societies can help you out with a grant or a loan. And that's Army Emergency Relief if you're Army, that's Air Force Aid if you're Air Force, and it's Navy Marine Corps Relief Society if you're Navy or Marine Corp. They can, again, give you grants or loans. They can help you to the next pay day, which are very low interest, and obviously, they're on the base so they're trusted agents. Other places service members can go inside the gate, they can go to their on-base bank and credit union. Now some people kind of think about that, but the on-base banks and credit unions are there for a reason, they've been vetted, they've been approved, and they've all responded to this payday loan problem by having low-cost short-term loans available that, again, offer alternatives to going outside the gate and getting something that is potentially high cost and can be harmful. Again, low-percentage loans is another pillar that we want service members to keep in mind, especially single service members, that there are places, good, safe, reputable places inside the gate that they can go if they need a little extra help until that next pay day.

The next pillar is morale, welfare, and recreation services. Now, that's kind of an odd duck in the pillar world, but the message there, especially to single service members is, hey, your morale, welfare, and recreation offices on your installations, they've got low-cost gear rental, low-cost movie tickets, low-cost pretty much anything. They'll cost you much less if you went out into town and either rented the stuff or bought the tickets. So, we encourage service members to go to their MWR because it's a great place to go for the same product, just for less price. So, again, if you're looking to

save money and do smart things with your money, that's what you can do. Take advantage of MWR.

The last pillar that is in the eight pillars of personal financial readiness deals with security clearances. And the message there to single service members, really all service members, but especially to single service members because they're just starting out, is that they've got to understand that poor financial behaviors can affect their security clearances. If your security clearance is up for review and you've got a poor credit rating or a very bad credit rating or credit history, that can result in a restriction or an effect on your security clearance where you're not able to do your assigned job anymore, which is obviously a readiness issue. We want to make sure service members understand that having a good credit history, doing all the right things financially, is important for not only them personally, but it's important for them professionally as well because of the possible effect on security clearances. Plus, one day everybody's got to get out of the military. If you have a security clearance in good standing, that is a very marketable tool that can help you with employment on the outside. So there are so many reasons to maintain and preserve that security clearance, which is basically why we have it as our final pillar.

So, again, those pillars represent that minimal level, that minimal message of financial readiness that we'd like to convey to all service members, but I think it's especially important for the single service members. We're not telling people that they can't spend or enjoy their money. Of course not. They have the right to enjoy their money because they've worked very, very hard for it. But the key thing is, do the right things with it so you'll be set up on that path to financial freedom and be a success not only in the military, but in life.