



RHUMB LINES

Straight Lines to Navigate By



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Personal Financial Management

"I challenge you to start now. I don't care how much you save, only that you get started. And those of you who have already started, to increase it just a little bit. Because the amounts don't matter; what matters is that you get started and keep it consistent."

– Peter Bielagus, "Moneywise in the Military" presenter and Fleet and Family Support Center certified financial planner

Sailors receive a number of financial incentives to include allowances, tax breaks, special pays and a comprehensive retirement plan, which can be used to fuel financial success. In addition, several resources are available to provide financial support and information to best allocate Sailors' assets.

Tax season

- The deadline for filing taxes is Apr. 15. W-2s and other important personal tax information are available through [MyPay](#) on the Department of Defense Accounting System's [website](#).
- Congress approved donations made to eligible Haiti earthquake relief funds in 2010 to be credited to 2009 taxes.
- The [Military Spouse Residency Relief Act](#) allows spouses of active duty military members to claim the same state of legal residence as their sponsor, with specific guidelines, in order to obtain state income tax advantages.
- [Volunteer Income Tax Assistance](#) representatives are available on base to assist with free tax preparation.

Resources for military members and their families

- [Military Saves](#) represents an opportunity for service members to educate themselves and their families on how to save.
- [Military One Source](#) provides service members and their families newsletters, webinars, educational materials and help with [tax preparation](#).
- [Navy's Fleet and Family Support Centers](#) offer personal financial management classes, seminars, individualized financial coaching and counseling for servicemembers and their families, including the geographically isolated.

Getting ahead while on deployment

- Reduced spending, special pays and tax deferments, common while on deployment, provide Sailors with the opportunity to pay off debt, increase emergency funds, or save for a future expense.
- Sailors may invest up to \$10,000 with the [Savings Deposit Program](#) (SDP) when deploying to combat zones for at least 30 days and drawing imminent danger pay. SDP has a guaranteed annual return of 10 percent.

Retirement savings

- The [Thrift Savings Plan](#) is the largest defined contribution plan in the world and is available to all DoD employees. Contributions are tax deferred until the member draws from the account, years later, and are usually in a lower income tax bracket.
- Individual Retirement Accounts – The 2010 limit on IRAs is \$5,000 per person. Roth IRA contributions are taxed prior to deposit. Money then grows tax free and does not require automatic withdrawals. With Traditional IRAs, money grows tax deferred and requires withdrawals starting no later than age 70 ½.

Key Messages

- Servicemembers and their families are offered numerous benefits and resources to help prepare for financial success.
- Financial preparedness gives Sailors and their families more independence and less stress, allowing greater focus on the mission.
- Financial plans are key to financial successes.

Facts & Figures

- According to Mathematical Rule 72, investments double in 9 years when collecting 8% interest; 6 years at 12% interest.
- Paying the standard 2% minimum monthly credit card payment on a \$2,000 balance at 18% interest costs \$5,000 in interest and takes 30 years to pay off.
- More than 70 special pays and allowances are designated non-taxable.