



MILITARY FAMILIES LEARNING NETWORK

Military Family Financial Transitions: Handling Changes to Income, Benefits & Money Management

<https://learn.extension.org/events/2163>

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This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Family Readiness Policy, U.S. Department of Defense under Award Numbers 2012-48755-20306 and 2014-48770-22587.



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[@MFLNFT](#)

Join today's webinar speakers for a Twitter Chat on Oct. 21 at 1 p.m. ET! Follow the chat with #MFLNchat

Presenters

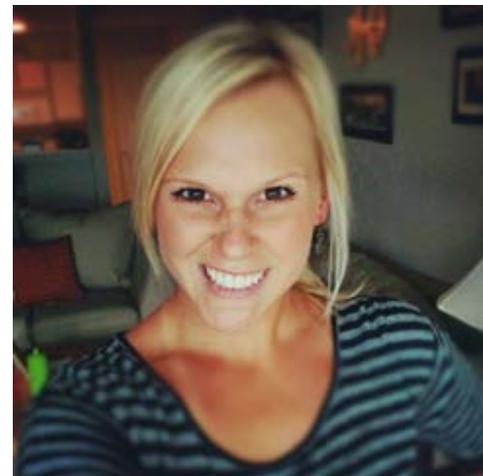
Dr. Barbara O'Neill

- Financial resource management specialist for Rutgers Cooperative Extension,
- Has been a professor, financial educator, and author for 35 years.
- Is a certified financial planner (CFP®), chartered retirement planning counselor (CRPC®), accredited financial counselor (AFC), certified housing counselor (CHC), and certified financial educator (CFEd).



Jenny Rea

- Enrolled in the PhD program at the University of Minnesota in the College of Education and Human Development, Family Social Science Department.
- Area of research interest is in financial readiness and financial conflict in military couples.
- As a military spouse, Jenny sees herself assisting young military couples in becoming educated about their finances and their future.



<https://learn.extension.org/events/2163>

Find slides and additional resources under 'event materials'

Available resources

https://learn.extension.org/events/2163#.VgRH32RViko



Military Family Financial Transitions: Handling Changes in Income, Benefits, & Money Management

Military service members and their families encounter numerous transitions throughout their military careers, including entering active duty, deployments, transferring from one duty station to another, leaving active duty to enter the reserve component or making the

Like 6 Tweet 4 Pin It G+ 0

Tuesday, October 13 at 11:00 am EDT

90 minute session

OCT
13

Add to calendar

(GMT-05:00) Eastern Time (US & Canada)

You must register in order to see the web address of the event.

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Webinar Objectives

- List military transition points & their financial impact
- Review research findings about the financial status of military findings
- Discuss strategies to handle pay, benefit and money management transitions
- Identify military spouse concerns
- Share support and educational resource materials



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Transition Points



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Chat



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What are the major life transition points that may cause financial concerns or challenges for service members and families?

Life & Family Transitions

Family Transitions = Stages + Events + Time

A **transition** occurs when a family moves from one distinct stage to another stage (e.g., youth to adulthood)

Stages represent intervals or periods of time, however, the event that makes the transition is treated as a point in time







Transition Points

	Personal	Contextual
Anticipated	<ul style="list-style-type: none">• New career• New child• Marriage/Remarriage• Divorce• Moving• Deployment• Job change	<ul style="list-style-type: none">• Change in president/political party/taxes• Type of war• Type of military (e.g., Garrison)• Aging parent needing financial assistance
Unanticipated	<ul style="list-style-type: none">• Unemployment → civilian life• Failing college courses → civilian life• SM wounded in combat• Death of earning/non-earning spouse• Death of child• Family member with a disability needing financial assistance	<ul style="list-style-type: none">• Economic boom/Recession• Natural disaster• Housing market fluctuation• Stock market fluctuation 

Financial Transitions



“A range of emotions exists in each transition and the list of these emotions is somewhat finite.

What is not finite is the experience that a person has lived through” (Boardman, 2010).

Hosek & Wadsworth (2013)

Economic Conditions of Military Families

- Summary and Full Report: https://muse-jhu-edu.ezp3.lib.umn.edu/journals/future_of_children/v023/23.2.hosek.html



Major Findings

- Transition to adulthood, including *economic independence from parents*, is **more stable and orderly for military personnel** than for their civilian peers
- *Family formation* among Service members is **earlier and more stable** than among civilians of the same age





More Major Findings

- Families were at least **20% more likely to report financial strain** when:
 - Service member's spouse was unemployed
 - Service member was wounded, interfering with ability to work or participate in family
 - Someone in the family had special medical or educational needs
 - Family had a difficult time readjusting to Service member returning from Deployment



Transition Point Key Take-aways

- All transitions, expected and unexpected, have a financial effect.
- Preparation is key! Those who prepare can handle the unexpected as if it were expected.
- Encourage Service members & families to seek support as needed.





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Research Overview



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2012 NFCS (FINRA Investor Education Foundation)

- Full Report:

http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Military_Findings.pdf



- Summary of Findings:

<http://www.usfinancialcapability.org/resultsm.php>

- Summary Table:

<http://www.usfinancialcapability.org/resultsm.php>

Methodology and Sample

- Online survey of 1,000 military service members
- Administered in August-September 2012
- Supplemented by 301 service members in July-October 2012 state-by-state survey
- Total sample size of 1,301
- Weighted to approximate the population of military service members by gender, pay grade, and active vs. reserve status (Based on DoD demographics)



Troubling NFCS Findings

- 4 in 10 found it very difficult (10%) or somewhat difficult (31%) to make ends meet
- 19% reported spending more than income
- 19% reported taking a loan from a retirement account in past year
- 29% experienced a large unexpected drop in income in past year
- 43% did not have emergency funds
- 38% were “underwater” on their homes
- 35% used a non-bank borrowing method in past 5 years



Many of these troubling financial statistics are undoubtedly related to military family transitions!



Anticipating the Landscape in the Years Ahead Report (University of Minnesota)

- Full Report (July 2014):
<https://reachmilitaryfamilies.umn.edu/sites/default/files/rdoc/v5%20Anticipating%20the%20Landscape%20in%20the%20Years%20Ahead.pdf>
- Research Summary:
<https://reachmilitaryfamilies.umn.edu/research/document/5683>

Methodology

Research team reviewed literature on service members' post-deployment functioning in six domains:

- Mental health
- Social and role functioning
- Relationship functioning and family life
- Spirituality
- Physical health
- Financial well-being



Major Findings



- Financial distress is especially prevalent among the junior enlisted ranks (E1-E4)
- Frequent moves exacerbate economic challenges
- Spouses struggle with steady employment and academic/career trajectories
- Some Guard/Reserve members experience a drop in income when away from well-paying jobs
- Upon homecoming, adjusting to a decreased income and tighter budget can be challenging
- Finances can change across the deployment cycle

Deployment Pay



- Some service members use additional deployment pay to reduce debts and save for college and/or retirement
- Others make large purchases upon their homecoming (e.g., expensive motorcycles, cars, boats)
- Lavish purchases can create family financial problems

Blue Star Families 2014 Military Family Lifestyle Survey

- Infographic:

<https://www.bluestarfam.org/sites/default/files/images/2014-military-family-lifestyle-survey.pdf>

- Summary and Full Report:

<https://www.bluestarfam.org/resources/2014-military-family-lifestyle-survey>

- Online convenience sample (2/14)
- 6,270 respondents



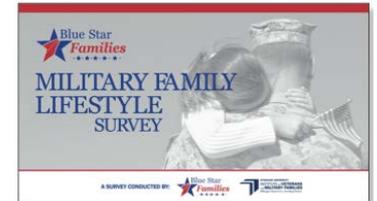
Major Findings

- 3 of top 5 concerns among respondents related to finances:
 - Pay and benefits
 - Potential changes to retirement benefits
 - Spouse employment
- 60% of respondents reported that their finances caused “some stress” or “a great deal of stress”
- Uncertainty about the impact of budget cuts on military pay and benefits were a source of stress

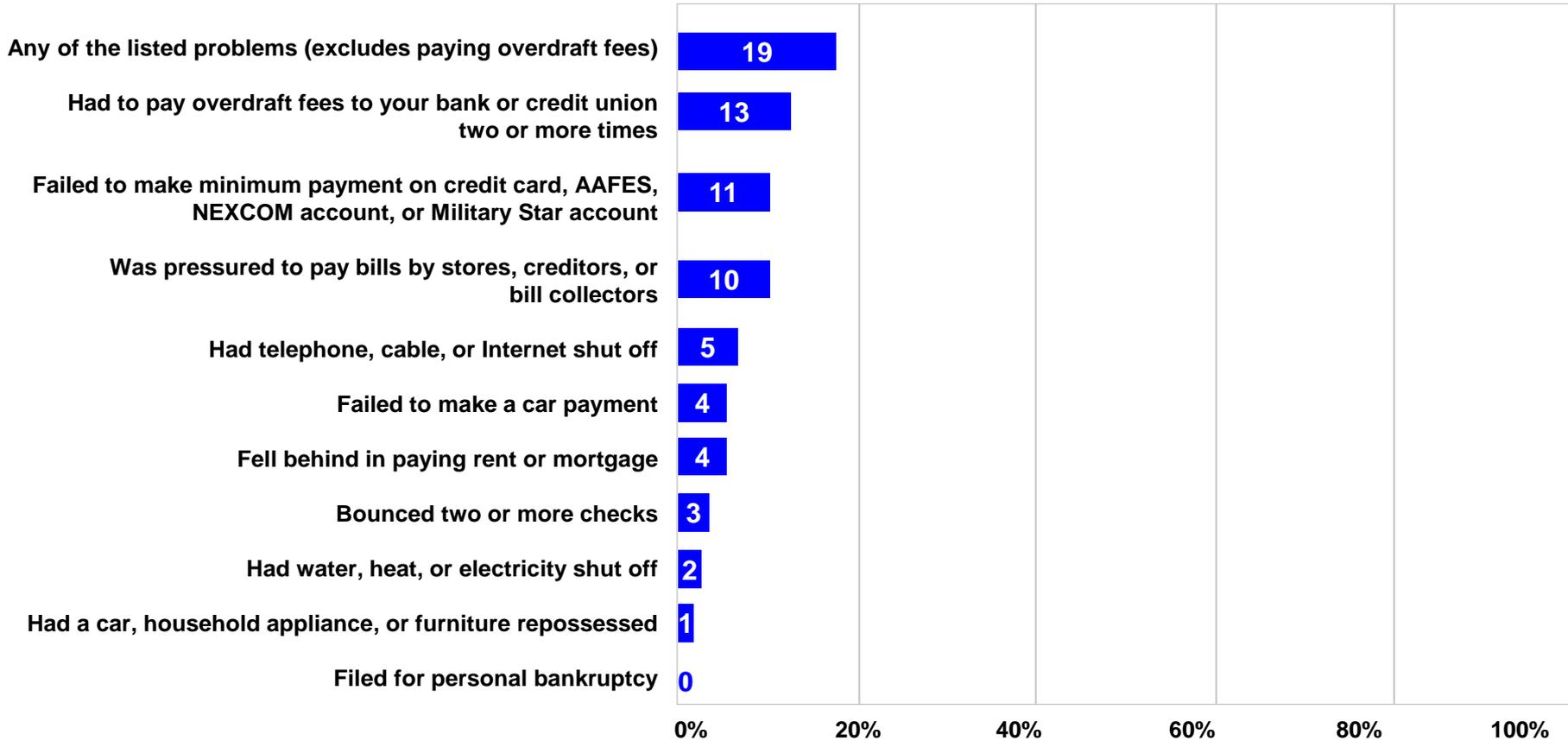


Additional Findings

- Mixed results on common indicators of good financial health vs. the U.S. population
- 36% of respondents owed \$5,000+ on credit cards and 7% owed as much as \$20,000
- 72% carried the full \$400,000 of SGLI (Servicemembers Group Life Insurance)
- 21% not regularly contributing to retirement savings
- Less positive financial well-being status report vs. DoD studies that use scientific sampling methods



SOFS-A Study: Financial Problems in Past 12 Months



SOFS-A Study: Debt Payments

Monthly Personal Unsecured

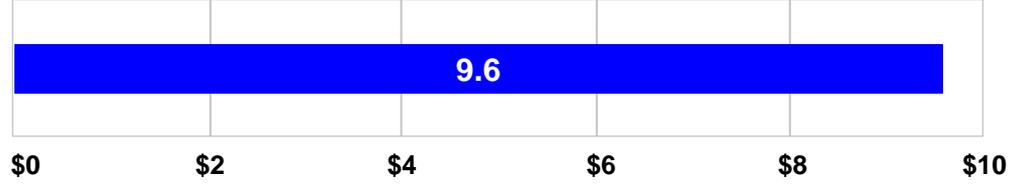
What is the amount of payments that you made last month to cover Personal unsecured debt?



Margins of error do not exceed ± 35 dollars

Personal Unsecured Debt Balance After Last Payment (in Thousands)

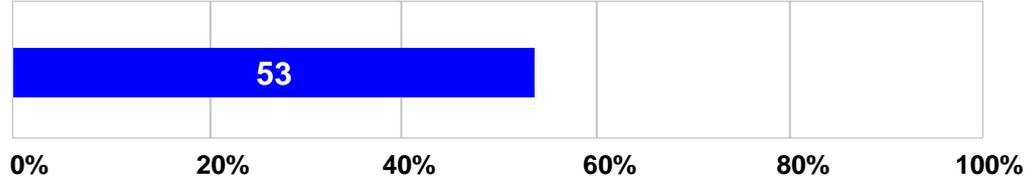
After last payment on personal unsecured debt, what was the total amount still owed?



Margins of error do not exceed ± 0.7 dollars (in thousands)

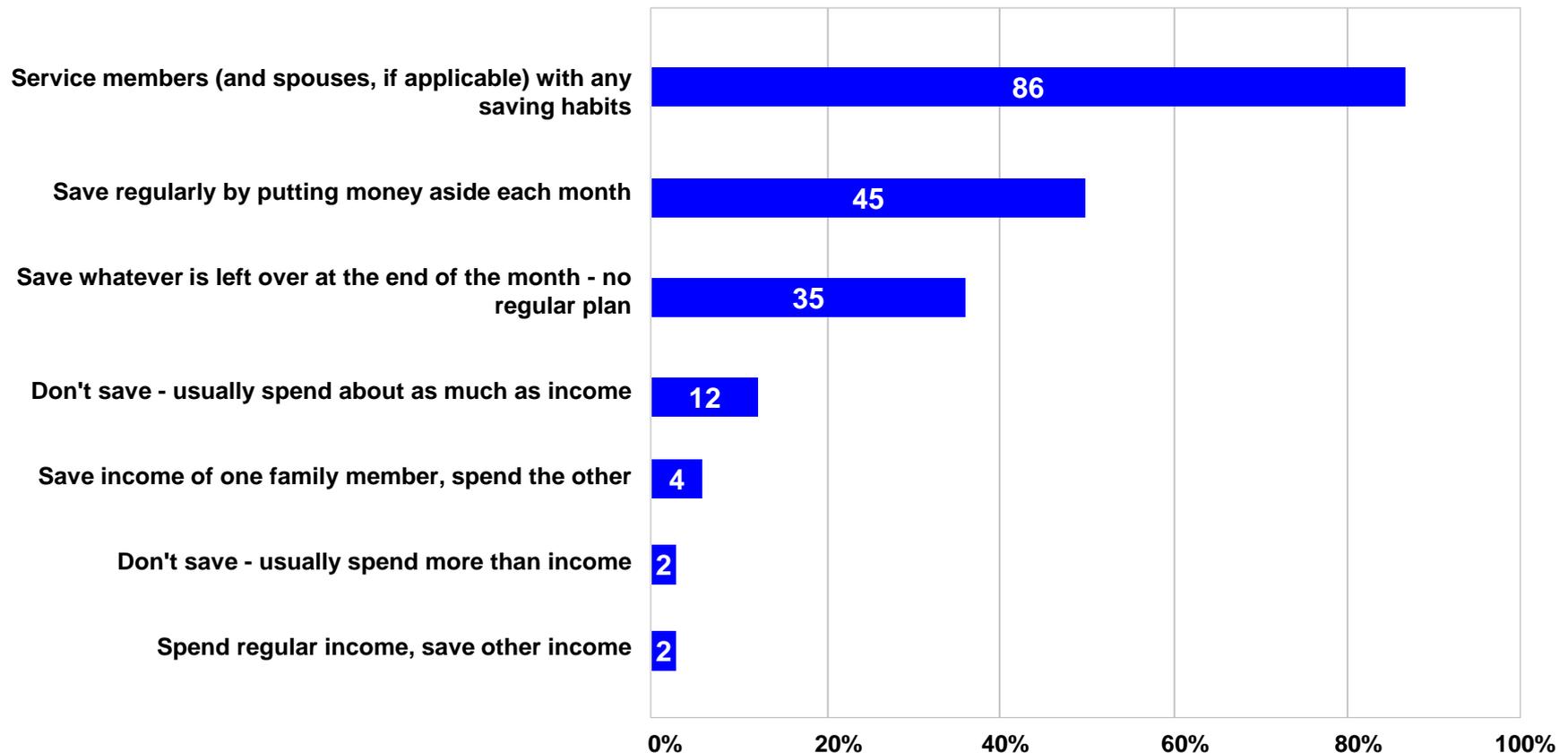
Credit Card

Do you have a credit card for which you carry debt from month to month?



Margins of error do not exceed $\pm 2\%$

SOFS-A Study: Saving Habits of Member (and Spouse, if Applicable)



Chat



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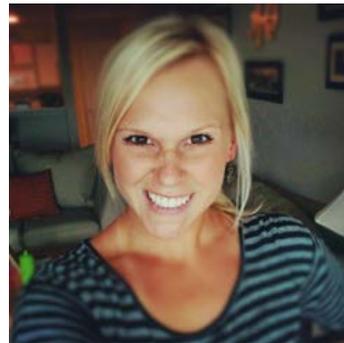
Does your experience agree or disagree with the research?

What can you share that affirms or negates what the research says?



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Pay Transitions



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Chat

What transitions
impact service
members' pay?



Specific Pay Transitions

- Deployments
- Leaving the military
 - Career
 - College
 - Retirement
- Injury of SM or Partner





Pay Transitions: Deployment

“30% of reservist families experience a reduction of income by \$500–\$2,000 a month during deployment (Hoshmand & Hoshmand, 2007).”



- Guard/Reservist members may receive loss or gain in income
- Combat vs. non-combat zone
- “Garrison military”
- DoD Savings Deposit Program (SDP)



Pay Transitions: Career & College

- Career
 - Income change from military career
 - Fewer to no benefits depending on civilian/military career
- College
 - Challenges in processing federal tuition assistance
 - Change in availability of funds

Pay Transitions: Injury

- May not be able to work full-time or part-time = loss of major provider's income
- May reduce time spent with family



Pay Transitions

- Preparation to address the transition process



Report:

<http://cir.usc.edu/news/2015/05/veterans-lack-of-preparation-creates-employment-challenges>



Pay Transitions Key Take-aways

- By being prepared, Service members and family members can better handle unexpected transitions during or after their military service.
- Service members and their families who have an emergency fund are better equipped to deal with unexpected changes





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Benefit Changes & Money Management



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Exiting SMs: Benefit Transition Issues

- Health insurance
- Dental insurance
- Disability insurance
- Life insurance
- Commissary and exchange privileges
- The GI Bill (educational benefits)
- Retirement savings plan deposits
- Other?



Retirement Savings: TSP

- When employment ends with the military or civil service, you can no longer contribute to TSP account
- Options are similar to those with a civilian 401(k) plan.
 - Leave the assets in your TSP account.
 - Roll your TSP account assets into an IRA
 - Roll your TSP account into new employer's 401(k) plan.
 - Withdraw your TSP account assets in a lump sum.
 - Transfer your TSP account assets to a qualified annuity
 - Resource: <http://themilitarywallet.com/tsp-leave-military-civil-service/>
- Start/continue an IRA, SEP, Keogh, etc.
- Post-military retirement savings plan

Continued Service SMs: Transition Money “Issues”

- Loss or reduction of service member’s second income
- Loss or reduction of spouse’s income
- Moving expenses
- Adjustment to a higher-cost locale (e.g., a PCS)
- Adjustment in living expense reimbursement
- Reduced discretionary income as a result of higher living costs
- Other?



The Solution?

A “Spending Plan”

- “Budget” (and “Diet”) are turn-off words
- **3 D’s:** Denial, Deprivation, Don’t
- **3 C’s:** Cut back, Cut out, Can’t
- The word “spending” is positive: people like to spend money
- The word “plan” emphasizes that people are in control of their money



Cash Flow Statement

- Do prior to developing a spending plan
- Requires careful tracking of income and expenses
- Summary of cash receipts (income) and cash outlays (expenses) for a given period

$$\begin{array}{|c|} \hline \text{Total cash} \\ \text{received during} \\ \text{time period} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Total cash} \\ \text{outlays during} \\ \text{time period} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Cash surplus} \\ \text{or deficit} \\ \hline \end{array}$$





Managing Household Cash Flow

Relationship between income and expenses

Positive cash flow (income greater than expenses)

Negative cash flow (expenses greater than income)

- Three ways to improve cash flow
 - Increase household income
 - Decrease household expenses
 - Do both





Ways to Increase Income

- Adjust tax withholding/tax benefits (EITC)
- Second job, overtime, sideline freelancing
- Increase/collect child support/alimony
- Charge adult children room & board
- Bartering skills and services
- Access public benefits
- Upgrade job skills
- Sell assets
- Other?



Impact of W-4 Form on Net Income

**0 allowances = max taxes deducted* =
Smaller take home pay =**

Larger tax refund

+ allowances = less taxes deducted =

Larger take home pay =

Smaller tax refund

* Can add extra withholding beyond "0" allowances; e.g., +\$50 more)



Ways to Reduce Household Expenses

- Housing
- Food
- Transportation
- Clothing
- Utilities
- Other expenses

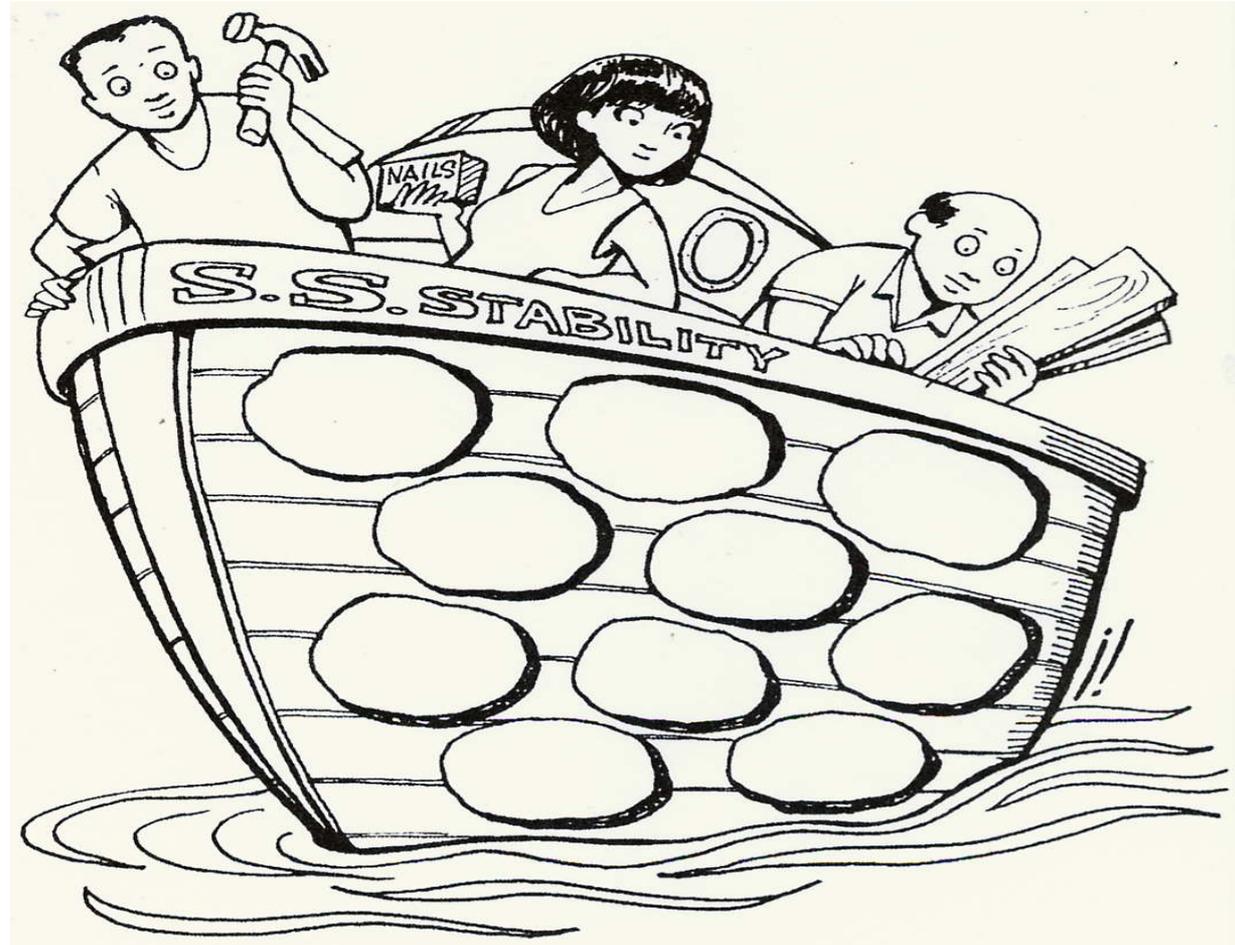


Small Savings Add Up

- \$5 a day = \$1,825/year
- \$10 a day = \$3,650/year



What are Your “Spending Leaks”?



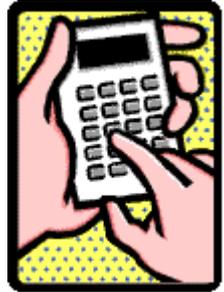
Spending Plan/Budget Systems

- **Mental**
 - “In my head” (may be okay if finances are limited)
- **Physical**
 - Envelopes, folders, or containers
- **Written**
 - On notebook paper
- **Computerized**
 - Spreadsheet or specialized software
- **Online**
 - Examples: www.mint.com and www.mvelopes.com



Steps to Develop a Spending Plan (Budget)

- Add up take-home income
- Total fixed expenses (e.g., rent or mortgage)
- Total flexible expenses (e.g., food, clothing)
- Pro-rate (1/12 per month) occasional expenses
- Include money for emergencies and financial goals
- Balance the bottom line: income = expenses



- Take action:

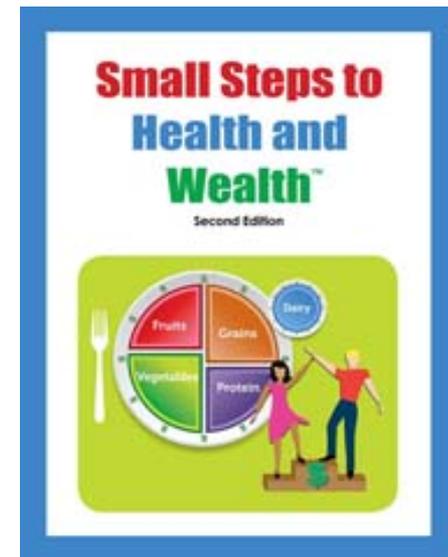
<http://njaes.rutgers.edu/money/pdfs/fs421worksheet.pdf>

“Pay Yourself First”

- Treat savings as a household “expense”
- Give it the priority of a car loan payment
- Make savings automatic
 - Employer retirement savings plans
 - Mutual fund and stock automatic investment plans
 - Checking to savings transfers
 - Do a “Savings Challenge”:
<http://walton.ifas.ufl.edu/fcs/files/2014/01/52-Week-Money-Challenge.pdf>
 - Need more ideas? See <http://www.americasaves.org/>



Small Steps to Health and Wealth™ Strategies



<http://njaes.rutgers.edu/sshw/>

Benefits & Money Management

Key Take-Aways

- Service members need to plan and be ready for changes in health & dental insurance, life insurance, retirement, and other benefits.
- Issues with transition income and funding can be overcome by smart spending and good budgeting.
- By developing a spending plan, service members can track spending and search for ways to increase income and/or decrease spending.



Chat



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from Noun Project

In your experience, what impact do benefit changes have on military families?

What do you see Service Members struggling with the most with regard to money management?



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Family Concerns



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Number of Married *Active Duty* Members by Service Branch and Gender

Gender	Army	Navy	Marine Corps	Air Force	Total DoD
Male	291,041	146,235	89,753	160,058	687,087
Female	35,293	19,517	5,328	31,080	91,218
Total	326,334	165,752	95,081	191,138	778,305

DMDC Active Duty Military Personnel Master File (September 2012)



Chat

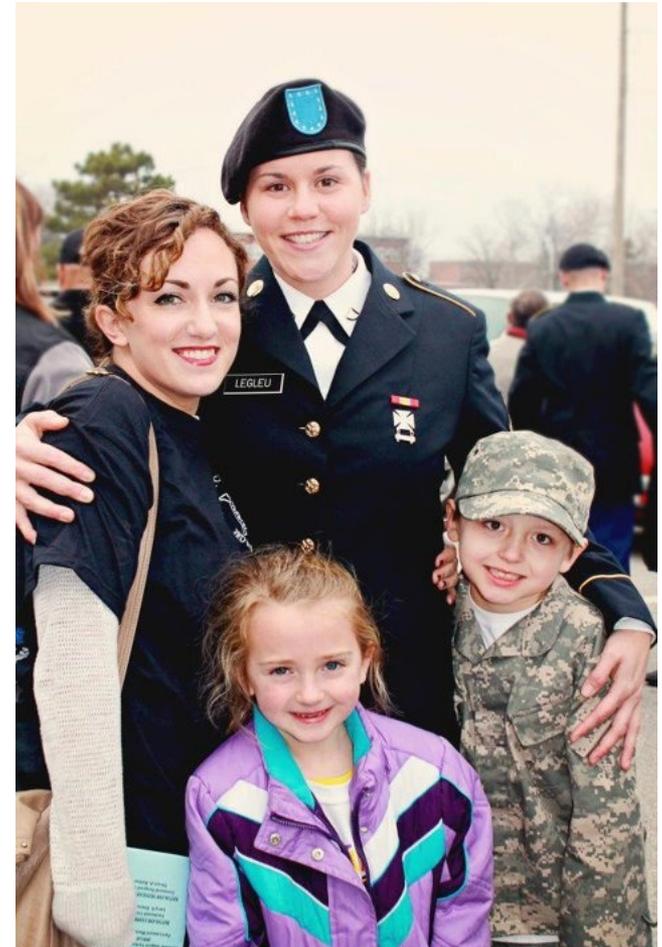
What transition related financial concerns do military families find **most challenging?**



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from Noun Project

Family Concerns

- Financial roles may shift
- Difficulty finding employment or are underemployed
- Lack of financial management experience
- Lack of communication
- Unaware or lack of financial resources



Rea et al. (2015) *The Role of Online Communication in the Lives of Military Spouses*



- Summary:
<http://link.springer.com.ezp3.lib.umn.edu/article/10.1007/s10591-015-9346-6>
- Qualitative study with 10 Active duty Marine spouses



Major Findings

Spouses' financial concerns included:

- Money & financial management
- Household items and maintenance (e.g., cable bill, water heater breaking)





Major Findings Cont.

“Family professionals could assist military families through Facebook posts on resource management; ways to spend your time and money during deployment..”



Family Concerns

- Not all family members have the same access to information
- Experiencing “launching” challenges
- Military-specific financial transition issues





Family Concerns Key Take-aways

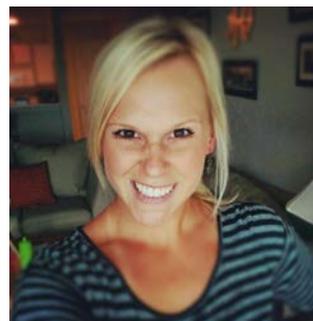
- It's crucial for Service Members to collaborate and communicate with family members while developing the plan
- It can be very stressful for military families to not know what will impact their finances – and how they will cope when and if that happens.
- Connection with military and community resources helps military families get support, gain knowledge and find helpful resources.





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Resource Materials



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Military Benefits

http://www.militarybenefits.com/military_retired.html
(Military.com)

- Alphabetized list of military benefits
- Organized by topic category (e.g., disability, dependent care, relocation, TRICARE)
- Also organized by user category: Active Duty, Reserve, National Guard, Veterans, and Retirees

TSP: Separating From Service

<https://www.tsp.gov/lifeevents/separating/separatingFromGovService.shtml>

- Topic areas include
 - Staying in the TSP
 - Account withdrawal
 - Tax considerations
 - To-Do List
- **Key Point:** TSP loans must be repaid within 90 days of separation

4 Things to Consider When Retiring From the Military

http://www.militaryonesource.mil/phases-retiring?content_id=268674 (Military One Source)

- Key topics:

- Separation requirements
- Planning a retirement budget
- Your benefits
- Challenges you can expect





Supports for Military Spouses as Active Duty Service Members Transition out of the Military

Online research report by the University of Minnesota
REACH lab

- Materials and programs for transitioning out of military

Source:

<https://reachmilitaryfamilies.umn.edu/sites/default/files/rdoc/Supports%20for%20Military%20Spouses%20as%20Active%20Duty%20Service%20Members%20Transition%20out%20of%20the%20Military.pdf>





Conversations about Transition: Resources for Separating Military Families

Online article providing resources for military families who are transiting out of the military

Source:

<http://www.militaryfamily.org/featured-news/resources-for-separating-military-families.html?referrer=https://www.google.com/>





Sherman et al. (2015) *Supports for Military Spouses as Active Duty SMs Transition out of the Military*

- Summary & Report:

<https://reachmilitaryfamilies.umn.edu/sites/default/files/rdoc/Strong%20Family%20Functioning%20%282%29.pdf>

- Empirical Analysis





Major Findings

“Finances can be a source of stress in families, and differences in *decision-making about money* can create conflict in couples. *Strong families* talk openly and work together to manage finances, striving to maintain some reserves for potential unexpected crises” (Sherman et al., 2015)



Resource Materials Key Take-Aways

- Many resources exist to help military families and it's important that they're aware of them.
- Resources are available at:
<https://learn.extension.org/events/2163>



Final Key Take-Aways

- Many military families have reported indicators of financial distress in recent studies
- There are many different types of military transitions
- Most military transitions have financial implications
- Income, benefits, and cash flow management are keys to financial success
- Resources are available to assist transitioning military families



Key Take-Away Applications

- Read research about military family finances
- Make a list of military transitions and identify which clients are experiencing them
- Explore the financial implications of military transitions with clients
- Stress wise cash flow management and strategies to live on a reduced income
- Refer clients to available resources
- Encourage communication in military families





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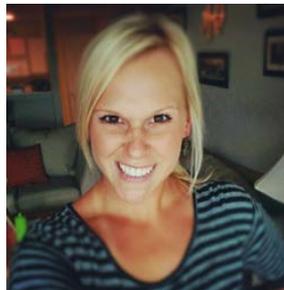
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Evaluation and CE Credit

The Personal Finance Concentration Area team will offer 1.5 credit hours from AFCPE for AFC-credentialed participants and FinCert for CPFC-credentialed participants.

The Family Transitions Concentration Area team will offer a Certificate of Completion for participants. Family Transitions contact: Anita Hering, anitah2@eXtension.org.

To receive CEU credit please complete the evaluation and post-test found at:
https://vte.co1.qualtrics.com/jfe/form/SV_erHUb1Gvqc7dIPL

*Must pass post-test with an 80% or higher to receive certificate.

Join us for a Twitter Chat!

Today's speakers will be answering questions and talking with participants during a 1-hour Twitter Chat!

- **Wednesday, Oct. 21**
- **Time: 1 p.m. ET**
- **Join us on twitter.com and search #MFLNchat**

A promotional graphic for a Twitter chat. It features a dark purple background with a large, light blue circular graphic in the center. Inside the circle is a white Twitter bird icon. Text is overlaid on the graphic in white and light blue. At the bottom, there are two logos for 'PERSONAL FINANCE' and 'FAMILY TRANSITIONS', both part of the 'Military Families Learning Network'.

Twitter Chat:
Wednesday, Oct. 21, 1 p.m. ET

TOPIC: Military Families Financial Transitions:
Handling Changes to Income, Benefits & Money
Management

Join the conversation with #MFLNchat

More info: <https://learn.extension.org/events/2163>

 **PERSONAL FINANCE**
Military Families Learning Network

 **FAMILY TRANSITIONS**
Military Families Learning Network

Personal Finance Upcoming Event

Student Loans: What Financial Practitioners Need to Know

- Date: Tuesday, Nov. 10
- Time: 11 a.m. ET
- Location:

<https://learn.extension.org/events/2161>

- For more information on MFLN- Personal Finance go to:
<http://blogs.extension.org/militaryfamilies/personal-finance/>



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**Find all upcoming and recorded webinars
covering:**

Personal Finance
Military Caregiving
Family Development
Family Transitions
Network Literacy
Nutrition & Wellness
Community Capacity Building

www.extension.org/62581

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