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# Financially

By Michael Howe

**O**ne need not look further than the federal government to see that financial stability can be a bit of a challenge. When the federal government talks about trillions of dollars, that is often a number difficult for most people to wrap their heads around. What most do understand though is that there is a need for individuals to save and spend money wisely. Unfortunately, managing hundreds or thousands of dollars can be just as complex for an individual as it is for the government to manage trillions of dollars.

A January 2013 poll hosted on the National Foundation for Credit Counseling (NFCC) website ([www.nfcc.org](http://www.nfcc.org)) asked consumers if they had a spending problem, savings problem, neither or both. For those that responded, 62 percent identified themselves as having problems related to both spending and saving. “The good news is that having a problem with both spending and savings is actually just one problem: spending,” said Gail Cunningham, spokesperson for the NFCC. “The bad news is that overspending is often tied to deep-rooted behavior, making it very difficult to change.”

Interestingly, a December 2012 poll hosted on the NFCC website had asked consumers if their personal financial problems were self-inflicted or the result of events beyond their control. Again, about two-thirds (63 percent) of respondents admitted responsibility for their financial woes. “The poll results are encouraging, as the first step to correcting a problem is recognizing it,” said Cunningham. “Taking ownership of financial problems empowers consumers, putting them in the driver’s seat to affect change.”

The financial challenges faced by civilians are not unlike those faced by those about to leave the military. What is different is that when one transitions from military to civilian life, everything changes. Dave Ramsey, respected financial author and radio host, says, “Transitioning back to civilian life can be difficult in many ways, but especially financially.” As such, it is important to be prepared and to plan accordingly. The key word for Ramsey is “plan.”

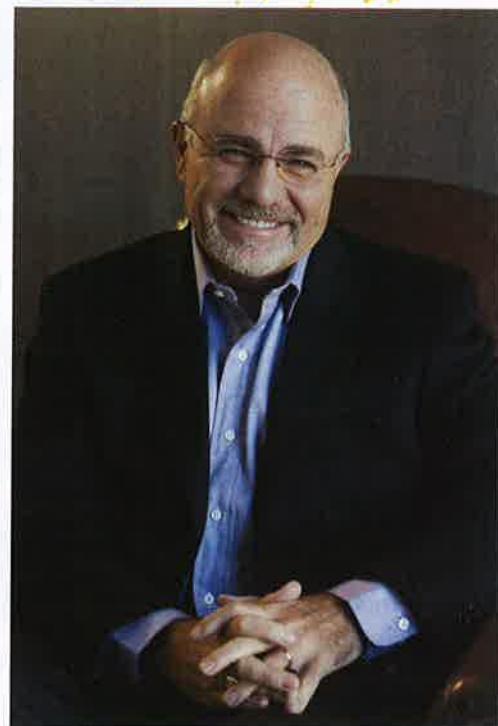
“No matter the financial situation you are returning to, the most important thing to do is make a plan for your money,” says Ramsey. “Create a written plan, also known as a

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budget, for your money every month before the month begins.” He suggests writing down your income and then listing all of your expenses with a dollar amount next to each. “Your income minus your outgo should equal zero,” says Ramsey.

It’s also important to involve a spouse or significant other in the budgeting process. “If you’re married, make sure you and your spouse agree on the budget. Working together will allow you to accomplish your financial goals,” says Ramsey. A solid budget, a plan, should lead to a successful future, according to Ramsey. “By spending your money intentionally you’ll be able to pay off any of your existing debts, avoid going into more debt and begin building wealth.”

Echoing the need for a plan is USAA ([www.USAA.com](http://www.USAA.com)), a financial services group dedicated to working with military personnel. Joseph Montanaro, USAA Certified Financial Planner, says, “If I had one piece of advice it would be this: don’t just let the transition [from military to civilian life] happen to you, make the move on your terms.” He notes that in the military there’s always a



Dave Ramsey

plan; whether it’s a complex operation or a family day picnic, a significant amount of planning leads up to the actual execution. “To get it right, transitioning to civilian life demands that same level of planning and preparation,” says Montanaro.

Military personnel do have an advantage when it comes to financial planning though, particularly because discipline is a trait that is ingrained in those that serve in the military. “If that discipline can be applied to their personal finance that’s

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a big step towards financial success,” says Montanaro. “Here we’re talking about the basics, building a budget that allows them so live within their means, creating an emergency fund for life’s curveballs, and making savings and investments a routine part of their lives.”

The transition process from military to civilian life can be quite relieving. The move is often a sense of accomplishment, with it being an end in and of itself. “As you’re walking out the door, you could breathe a sigh of relief, ‘wow, I made it,’” says Montanaro. “While that may be partially true, there are a number of key financial “ducks” that you need to have lined up.”

## THE “DUCKS” MONTANARO REFERS TO INCLUDE THE FOLLOWING:

■ **Health insurance:** are you covered by the Transition Assistance Management Program (TAMP)—Learn more at [www.tricare.mil](http://www.tricare.mil)

■ **Life insurance:** You’ll be losing \$400,000 of Servicemembers Group Life Insurance. Do you need to replace this? If so, what makes the most sense? If you have health issues or would have trouble getting competitively priced insurance on the civilian market, Veterans Group Life Insurance (VGLI) is a reasonable option. And the good part about it is that if you apply within 120 days of separation, there is no medical underwriting (BIG DEADLINE...DON’T MISS IT).

■ **Thrift Savings Plan.** What do you do with this (Government version of 401(k))? How about the tax-exempt contributions?

■ **Make sure you’re crunching ALL the numbers** as you transition. There are a number of key benefits of military service that go away when you leave, and often come with a significant price tag on the civilian side of the fence, so they should be taken into consideration as you compare opportunities/develop a budget:

- No more tax free housing allowance
- No more free healthcare
- No more free meals (enlisted)
- No more free gym (and a training program—morning PT)
- No more 30 days of paid vacation



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Transitioning from military to civilian life is a significant life event. Life events deserve an in depth analysis. “Life events should trigger a comprehensive assessment of your goals and where you stand,” says Montanaro. There’s no doubt that transitioning out of the military is a life event of enormous proportions, so pay particular attention during this time. “Use the opportunity to take some time to establish/reconfirm your financial goals and ensure that you’re taking the steps to meet them,” says Montanaro.

When the life event occurs is important to how you plan. However, will you really know when the life event is going to happen? Montanaro suggests that in today’s environment you may get to transition at a time of your choosing, or the time may come suddenly and unexpectedly. “My thought would be to prepare as if transition was right around the corner,” says Montanaro. “That’s an approach that has implications, financial and otherwise (like building a resume).”

Again, it all comes down to planning. Why not start now with the building of a “transition fund” and start planning as though it will happen soon. “Basically, I’m talking about a muscled-up

version of an emergency fund or cash reserve,” says Montanaro. “If you’ve got enough cash set aside to hold you over for 6, 9, or 12 months, you will have a less stressful transition, period.” Of course, accumulating that level of a savings does not happen overnight; so whether transition is in your immediate plans or not, start saving now.

The theme is consistent—plan ahead and plan accordingly. 