

# Strategies Before and After Deployment



U.S. NAVY PHOTO BY JACOB SIPPEL

**N**o matter how smart your investing decisions are throughout your life, an unexpected event could suddenly wipe out the savings you've taken years to build. Military personnel face unique risks—especially when they're deployed—but they also have access to special programs to protect their savings and their families. It's up to you to make the most of these resources.

## Life Insurance

You need life insurance if anybody is depending on you and would be in financial trouble if you could no longer provide for them. Needless to say, the need becomes much more pressing if you're about to go into a combat zone. But members of the military can't just buy any policy: Some policies have specific war exclusions or charge high rates if you plan to travel to a foreign country, making the coverage worthless or very expen-

sive if you're about to be deployed.

At the same time, U.S. troops have access to one of the lowest-cost life insurance programs available anywhere.

Servicemembers' Group Life Insurance (SGLI) covers all of those special needs and costs only 6.5 cents per \$1,000 of coverage per month, or \$312 a year for the maximum \$400,000. The price is the same regardless of your age or your health. You can also get \$100,000 in coverage for your spouse and up to \$10,000 for each of your children. For a full price list, go to the U.S. Department of Veterans Affairs SGLI Web site ([www.insurance.va.gov/sgliSite/default.htm](http://www.insurance.va.gov/sgliSite/default.htm)). Because it's such a good deal, SGLI should be at the very top of your shopping list.

But you lose SGLI coverage when you leave the military, and you may need more than the maximum anyway—especially if you're the sole breadwinner for a large family with young children. Use a

life insurance needs calculator (available at the [Kiplinger.com](http://Kiplinger.com) Insurance Center or in the insurance-tools section of the SGLI Web site) to see how much insurance you need, then search for extra coverage to fill in any gaps beyond SGLI. If you're healthy, you can usually get an inexpensive term-insurance policy with a fixed premium for 20 or 30 years.

If you're still on active duty, make sure any policy you consider does not have a war exclusion or restrictions on foreign travel. Be upfront with the insurer about your job and the fact that you may be deployed. It's much better to get turned down in the beginning than to have a claim rejected because you didn't tell the whole story. Plenty of insurers offer coverage without a war exclusion.

Review your insurance options at least six months before you leave the military, recommends June Walbert, a certified financial planner with USAA and Lieutenant Colonel in the Army Reserves. You can convert your SGLI policy into a Veterans' Group Life Insurance (VGLI) policy as long as you submit your application within one year and 120 days after discharge from the military. During the first 120 days, you can qualify for VGLI without a medical exam; after that, an exam is required. If you're healthy, you may find a much better deal on your own. But VGLI may be your best bet if you have a medical condition that would cause private insurers to hike your premiums or reject your application.

## Save on Taxes

Members of the military receive special tax benefits, such as a tax-free housing allowance and tax-free combat pay. Those breaks come automatically. But there is something you can do to lower your taxes even more: Take advantage of the leeway you have when it comes to choosing the state where you pay income taxes (or don't pay them, if you become a resident

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of an income-tax-free state).

When you're in the military, you can keep your home state as your official domicile, even when you're stationed elsewhere; or you may be able to switch your residency and benefit from lower taxes. For example, many of financial planner Patrick Beagle's colleagues who went to flight school in Florida switched their residency to that state, which doesn't have a state income tax, while they were living there. And they continued to keep Florida as their domicile—and not pay state taxes—as long as they remained in the military, even if they moved to another state later.

You can't pick a state just because you like its tax climate. Otherwise, most servicemembers would likely gravitate to one of the seven states that don't have an income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) or one of the two that taxes only interest and dividends (New Hampshire and Tennessee). You generally have to be living in the state when you establish residency there, and intend to live there after you leave the military. Getting a driver's license, registering your car and registering to vote in that state are usually signs of intent, but the rules vary by state. The state department of revenue and the legal-affairs office on base can answer questions about the state's residency rules. If you switch residency, be sure to change your pay records, too, so you don't have taxes withheld for the wrong state.

One caveat: Military spouses are generally considered to be residents of the state where they are currently living and, if employed, must pay taxes there, even if the servicemember remains a resident of another state. This can add a level of complexity at tax-filing time, but most state tax forms have special instructions to help members of the military and their spouses figure things out.

After you leave the military, you'll generally need to file taxes in the state where you actually live. Keep this in mind when calculating your income needs for

a post-military job, which may be subject to state income taxes that you didn't have to pay in the past.

### Special Legal Rights

The Servicemembers Civil Relief Act—a 1940 law that was recently updated—grants special legal rights to reservists, members of the National Guard and active-duty military personnel.

For instance, you have the right to terminate an apartment lease if you have orders for a permanent change of station or are deployed to a new location for 90 days or more. You can terminate a car lease without an early-termination fee if you are deployed for 180 days or longer.

And in some situations, the interest rate on a mortgage, credit card, car loan or other debt can be capped at 6% if military service affects your ability to

pay—such as if you had to take a pay cut from a more lucrative job when being activated to the Reserve or National Guard. This rule applies only to debts incurred prior to military service or activation; it does not apply to debts taken on while on active duty. To qualify, you need to send your lender a written request and a copy of your mobilization orders.

For more information about your legal rights, visit the legal-assistance office on base (see the Armed Forces Legal Assistance Web site at <http://legalassistance.law.af.mil/index.php> for contact information) or the U.S. Department of Justice servicemembers' and veterans' rights page ([www.servicemembers.gov](http://www.servicemembers.gov)).

### Preparing to Deploy

Deployment can bring a lot of financial opportunities: Your paychecks will be

#### Q+A

### Protect Your Identity While You're Deployed

*I am in the Army and am about to be deployed. Should I put an active-duty alert on my credit report?*

**That's a great idea. An active-duty alert can protect you from identity theft, which is particularly important while you are deployed and will have a tough time monitoring your mail and accounts.**

**An active-duty alert notifies creditors that you're on military active duty and asks them to take extra precautions to verify the identity of the applicant before extending credit. Include the phone number of a trusted friend or family member for creditors to call and verify your identity while you're inaccessible (be sure to give them a heads up that you've chosen them).**

**This alert stays on your credit file for one year and also lets you opt out for two years of promotional mail—such as preapproved credit-card offers that could leave**

**you susceptible to ID theft while you're away from home. To place an active-duty alert, contact one of the three credit bureaus (Experian.com, Equifax.com or TransUnion.com), which will notify the other two. You'll generally find the information in the section of the bureaus' Web sites that focuses on fraud alerts.**

**The alert is free and will not affect your ability to use credit while you're deployed. It just helps to prevent ID thieves from taking out new credit in your name.**

**If you'd like extra protection, consider a credit freeze. The cost tends to be \$10 per bureau (\$30 for all three) to place and lift a credit freeze, but the freeze does prevent potential creditors from accessing your credit report without your permission.**

**Also review your credit-card and bank accounts online if possible while deployed, so you can catch any suspicious activity before you return.**

higher when you receive tax-free income in a combat zone, and you have access to extra savings programs that help you stretch your money even further. But it's also important to take some key steps to protect your money while you're gone—from identity thieves, unexpected events, and bills you can't control while away from home. The more you do to prepare ahead of time, the better you'll be able to protect your family and your finances while you are deployed.

**Gather key estate-planning documents.** Make sure your estate-planning documents are up to date. If you have children, it's important that you have a will that names guardians for your children as well as spells out what is to happen to your property. This becomes critical, of course, if you're about to deploy. You can draw up a medical directive, which authorizes a family member to make medical decisions on your behalf if you're incapacitated. The JAG legal-affairs office on base can handle most of the paperwork free and can help you go through a list of key estate-planning documents before you deploy. You may need additional help if you have children from a previous marriage, children with special needs or other complicating circumstances.

**Grant a power of attorney.** One of the most important documents to have in place when you're deployed is a power of attorney, which gives your spouse or another trusted family member or friend authority to handle your finances while you're gone.

You can grant a general power of attorney, which authorizes your representative to file your taxes and conduct financial transactions. Or you can use a power of attorney for specific transactions, such as if you're planning to buy a house or car while you're deployed. Since this document hands off control of your finances, be very careful about whom you name. A power-of-attorney document generally has a time limit,



## Deployment can bring financial opportunities. But it's also important to take some key steps to protect your money while you're away.

so make sure yours is still up to date if you're about to be deployed again. The legal-affairs office on base can draft this document, too.

**Update beneficiary designations.** The beneficiary designations on insurance policies and retirement accounts supersede your will. So, if your will says your spouse gets everything, but your mother is the beneficiary on a life-insurance policy, Mom will get the proceeds from the policy. Double check to be sure the beneficiaries for your life insurance, IRA, Thrift Savings Plan and other retirement accounts are up to date, especially if you've gotten married, remarried or had a child in the past few years.

**Automate your bills.** If you don't have a spouse or family member at home to pay your bills, make it as easy as possible to pay them yourself. Sign up to have them

paid automatically from your checking account or to pay them online. Find out how to access your bank account and credit-card records while deployed, so you can catch any errors before you return home.

**Contact your service providers.** If your family won't be using your cell phone, cable, Internet, phone or other services while you're gone, be sure to let the service providers know. Many have special rules for deployed servicemembers. For example, some cell-phone companies allow customers in the military to suspend service for up to 18 months, with no suspension fee, if they are sent to an area not served by that provider. They can then have their cell-phone number and rate plan reinstated when they return. The rules vary by company, so contact your provider for details.

Make sure bills don't accidentally pile up while you're away, which can build up late fees and cause serious credit problems when you return home.

**Adjust your auto insurance.** Tell your insurer that you're being deployed and let the company know if other family members may be driving your car while you're gone. You may get a discount if the car isn't used for commuting.

If you're putting your car in storage, your state may not allow you to drop auto-insurance coverage unless you hand in your license plates. But you can cut your premiums in half—or more—by lowering your liability coverage to the state minimum and dropping collision coverage, says USAA's Walbert. Call your insurance company or ask your state insurance department (go to [www.naic.org](http://www.naic.org) for contact information) about the specific rules in your state. Keep comprehensive coverage, which will pay out if your car is damaged or stolen while in storage. You can lower the rate by raising your deductible.

**Get the right insurance on your home or apartment.** If your family remains

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in your home, then you don't need to change your homeowners insurance. But if you're renting out the house while you're gone, contact your insurer and ask about your options. If you aren't keeping your possessions there, then you may be able to switch to a less expensive policy that covers only the structure, and let your tenant get renters' coverage to cover his or her stuff. Your mortgage lender may have specific coverage demands, though, so check with the lender, too.

Also let your insurer know if you're putting possessions in storage while you're gone; you may be able to buy an inexpensive renters' insurance policy to cover the items if they are damaged or stolen while you are away.

**Know the tax-filing rules.** You don't need to file an income-tax return while you're deployed to a combat zone. In fact, you and your spouse can file up to 180 days after you leave the eligible combat zone. Your deadline is also extended for six months after the last day of any continuous qualified hospitalization for injury from service in the combat zone. Both deadlines can be extended even more days if you entered the combat zone between January 1 and April 15.

Even though the tax-filing deadline can be extended, you may want to file on time—or even early—if you are due a refund. You can give a spouse or trusted family member or friend a power of attorney to file your taxes while you're gone. In addition to the general power-of-attorney form, you can also use IRS Form 2848, "Power of Attorney and Declaration of Representative," specifically for tax filing (available at [www.irs.gov](http://www.irs.gov)). For more information, see IRS Publication 3, *Armed Forces Tax Guide*, at the IRS Web site. The family-support center and legal services on base can help with tax issues.

**Build up an extra emergency fund.** It's always important to have an emergency fund so your family won't land in debt if they have unexpected expenses. But



U.S. AIR FORCE PHOTO BY AMN JENNIFER ROWIG

**Sign up for the Savings Deposit Program and earn 10% per year in interest, guaranteed, while you're deployed and for 90 extra days.**

it's even more important to prepare for these possibilities if you are about to deploy. Try to build up at least six months' worth of expenses in a safe and accessible account, such as a money-market or savings account. You want the money somewhere that is easily available to your spouse for any emergency home improvements, car repairs or other unexpected costs.

**Sign up for the Savings Deposit Program.** Servicemembers have access to one of the best savings deals when they're deployed. You can invest up to \$10,000 in the Savings Deposit Program and earn 10% per year in interest, guaranteed, until three months after you leave the eligible region. You can only sign up for the Savings Deposit Program

after you are deployed, but you can plan ahead to determine how much money you can afford to invest and find out the steps you'll need to take. The tax-free status of income in a combat zone means your paychecks will increase by the amount *not* going to the IRS. Consider dedicating that boost in take-home pay to the Savings Deposit Program.

For more information, go to [www.dfas.mil/militarypay.html](http://www.dfas.mil/militarypay.html) and type "Savings Deposit Program" in the search engine.

**Create a "brain book."** Financial planner Beagle recommends putting together a "brain book"—a compilation of key information that might be needed in your absence. Inventory your financial accounts and how to get access to them, plus your online accounts and passwords. Include a copy of your will, power of attorney, medical directive and a letter of instruction should anything happen to you. Also include a set of keys for things such as storage units you may have rented to hold your belongings while you're away. Since this book has such sensitive financial information, only give it to a very trusted family member or friend.

For help getting your information together, see the "Organize Yourself" worksheet at the back of this booklet. ➔