

A Soldier's Guide to Financial Readiness

Looking for financial stability?
It could be at your fingertips



Presented by:



266th Finance Command



FIRST IN FINANCE SUPPORT

Welcome to the 266th Finance Command Financial Readiness Handbook. This book was designed specifically for you, the soldier. In these fluctuating financial times and high operational tempo, we want to do all that we can to help you set a foundation for a secure financial future.



This book explains overseas entitlements, budgeting, managing debt and demonstrates how the time value of money can secure your financial independence through disciplined investing.

In addition, the handbook will cover everything from wills and power of attorneys to most deployment entitlements. To keep up-to-date on these issues and other pay entitlements, please read this handbook for the most current information or visit our military website at <https://www.266fc.hqusareur.army.mil/> or public affairs site, <http://266fincom1.hqusareur.army.mil>

Knowledge is power and it is our sincere hope that the information provided here allows each of you to successfully and securely map your financial future. For additional assistance in mapping your financial future, contact your local Army Community Service for more information.

“First in Finance Support”

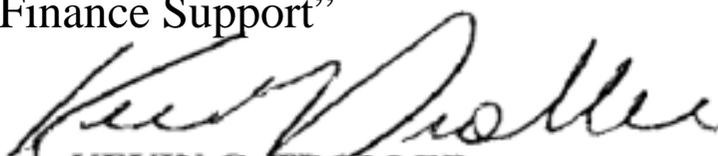

KEVIN G. TROLLER
Colonel, FC
Commanding

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OVERSEAS ENTITLEMENTS

1. PCS TRAVEL ADVANCE

A soldier is authorized a travel advance prior to proceeding on a permanent change of station (PCS) move. Advance PCS travel pay is 80% of the estimated cost of your allowable travel expenses. This money is for travel expenses only. If the advance payment is more than the soldier should have received, the amount not authorized must be paid back to the government in one lump sum.

During the process of traveling to a new duty station, soldiers may have to stay a few nights in a hotel or a guest house. If so, they may be able to receive temporary lodging allowance (TLA) payments. Check on eligibility for this allowance at the housing office *prior to planning a PCS move*. Normally, the payments are limited to 10 days between the old and new duty station for OCONUS moves, although it may be extended with a request for an exception to policy from the housing office.



2. PCS TRAVEL

Any soldier arriving in Europe on official PCS orders must submit a DD FORM 1351-2 travel voucher for payment. Soldiers will fall off the pay system and not get paid after 90 days, if no voucher is submitted. The following list of documents must be submitted to receive a travel payment:

- 5 copies of PCS orders, 2 copies of leave form (DA FORM 31)
- 4 copies of the plane tickets
- 4 copies of all lodging receipts
- 4 copies of all individual receipts for expenses in excess of \$75.00.
- 4 copies of PCS advance travel, DLA, and partial payments for TDY



OVERSEAS ENTITLEMENTS

3. DEPENDENT TRAVEL



Dependent travel is reimbursable upon completion of travel and the service member settles at finance for their family. If the soldier's dependents are awaiting deferred travel orders, the soldier must submit his/her own personal travel documents for PCS travel reimbursement. Soldiers must have the following documents to receive reimbursement for dependent travel:

5 copies of PCS orders to include sponsor's and amendment(s)
Original, plus 3 copies of airline tickets.
3 copies of receipts for lodging and individual receipts over \$75.00

4. FREQUENT FLIER MILES



A. Travelers on official business at Government expense on the funds of an agency may keep promotional material (including frequent traveler benefits such as points or miles, upgrades, or access to carrier clubs or facilities) for personal use. This applies to promotional items received before, on, or after 31 December 2001.

B. The promotional material must be obtained under the same terms as those offered to the general public and must be at no additional Government cost.

C. Promotional items received for travel using funds other than those of an agency are not covered by this rule.



OVERSEAS ENTITLEMENTS

4. FREQUENT FLIER MILES CONT...



D. Seat Relinquishing

1. Voluntary. A traveler may keep payments from a carrier for voluntarily vacating a transportation seat. However, no additional expenses (per diem or miscellaneous reimbursable) may be paid as a result of the traveler's delay.
2. Involuntarily. If a traveler is involuntarily denied boarding on flight, compensation for the denied seat belongs to the Government (59 Comp. Gen. 203 (1980)).

E. Lost or Delayed Accompanied Baggage. A traveler may keep payments from a commercial carrier for accompanied baggage that has been lost or delayed by the carrier. If the traveler intends to make a claim against the Government, the traveler should see the Claims Office prior to accepting a carrier's compensation. By accepting the carrier's compensation, the traveler may be accepting that amount as payment in full.

The traveler must exercise the same care and regard for incurring expenses as a person traveling at personal expense plus maintain records to validate individual expenses of \$75 or more and all lodging costs (All receipts should be maintained until the travel claim is paid and possibly longer if required by financial regulations – 3 years minimum).

**** For more information, consult your local travel office or read the Joint Federal Travel Regulation(JFTR).***



OVERSEAS ENTITLEMENTS

5. DISLOCATION ALLOWANCE (DLA)

DLA is an allowance based on rank and marital status to partially reimburse individuals for expenses incurred while relocating a household. This allowance is in addition to all other allowances and may be paid in advance. DLA cannot be paid twice within the same fiscal year.

For 2002 DLA rates access:

<http://www.dtic.mil/perdiem/dla.html>



Soldiers with dependents are authorized DLA when dependents and household goods relocate in conjunction with a PCS move, either to a designated location or with concurrent travel to Europe.

Soldiers with dependents, to include single soldiers, who do not relocate their dependents, are authorized single rate DLA upon PCS. This rule applies as long as they are not assigned government quarters upon arrival at the new duty station. (Temporary quarters occupancy of less than 60 days does not constitute government quarters occupancy).

Unaccompanied SSG's and below must provide a statement of non-availability from the local housing office and submit it with the travel voucher.



OVERSEAS ENTITLEMENTS

6. ADVANCE PAY

An advance of base pay is an interest free loan from the Army to help offset extraordinary PCS expenses. This money is equal to one month's pay minus deductions/allotments and must be paid back through monthly deductions. An advance pay must be paid back within 12 to 24 months after receipt of payment, starting the month after it is first received. Specialists and below must have the Company Commander's signature to request an advance pay.

The required documentation is as follows: DA FORM 2142 (Advance Pay Certification/Authorization), DD FORM 2560 (Pay Inquiry) and PCS orders.

The period of time in which a soldier may request an advance pay may be extended to 180 days after reporting to a new duty station or within 30 days of leaving.

Soldiers without family members are eligible for advance pays. However, in most instances, most do not qualify for an advance pay. A soldier without family members must demonstrate extenuating circumstances exist that are PCS related. A good example is single soldiers reassigned to a recruiting command or ROTC assignment where government quarters/facilities are not available.

The finance office is the final approving authority for advance payments and must ensure the provisions of the law are strictly adhered to. Advance pays will not exceed an amount that cannot be repaid before the soldier's ETS date.



OVERSEAS ENTITLEMENTS

7. CASUAL PAYMENTS

Casual Payment (CP) is a payment to a soldier who demonstrates an immediate need for money to replace an entitlement not yet processed. Soldiers entitled to back pay for an entitlement may receive a CP when the payment is not paid on mid-month pay or end of month Leave & Earnings Statement (LES).

Since a CP is a payment for entitlements that is paid on payday, the amount paid will be deducted from their mid-month pay or LES. This will offset the entitlement that is scheduled to be paid on payday.

The required documentation is a DA FORM 2142 (Pay Inquiry) signed by the soldier's Company Commander or First Sergeant. The soldier must explain why he is requesting a Casual Pay and submit all supporting documents.

A CP is not a method for receiving emergency funds. Soldiers who require immediate funds should contact their local Army Emergency Relief or the American Red Cross.



OVERSEAS ENTITLEMENTS

8. BASIC ALLOWANCE FOR HOUSING (BAH)

All soldiers are entitled to BAH unless their dependents occupy family-type government quarters. Individual entitlements will be provided by Partial BAH, BAH at the “with dependent” rate, or BAH at the without dependent rate, or BAH at the “Difference” rate.

Claims for entitlement and/or payment of BAH must be processed through the Finance office by submitting a DA FORM 5960 (BAQ/VHA Recertification).



Partial BAH:

Soldiers without dependents are authorized partial BAH when assigned to single-type government quarters. Partial is effective the day after the date of arrival in command and continues until the day prior to the date of departure from command. Entitlement continues during periods of field duty.

Partial BAH is started during finance in-processing. No documents are required. Soldiers not receiving BAH need to submit a DA FORM 2142 to the finance office.

BAH With Dependents:

Soldiers with dependents are authorized BAH at the “with dependent” rate, if their dependents are not occupying family-type government quarters.



OVERSEAS ENTITLEMENTS

BASIC ALLOWANCE FOR HOUSING (BAH) CONT...

BAH Difference:

Soldiers are entitled to BAH based on their court-ordered dependent support of minor dependent children. The rates are different from BAH with dependents. For more information, contact your local finance office or access the rates: www.dtic.mil/perdiem/bah

Single SSGs and below that reside off-post due to non-availability of adequate government quarters are entitled to BAH at the without dependents rate with the approval of the housing officer.

TEMPORARY LODGING ALLOWANCE (TLA)

TLA is authorized to reimburse a member to offset the cost of staying in the guest house and resources for meals while OCONUS. This occurs when initially arriving at a Primary Duty Station (PDS), pending assignment of Government quarters, or pending arrangements for other permanent living accommodations when Government quarters are not available. TLA is authorized up to 10 days and sometimes longer if extenuating circumstances exist. For more information on TLA, call your local Base Support Battalion Housing Office. The Finance Office will make the TLA payment to the soldiers pay account.

TLA is paid on the soldiers LES. Soldiers staying in the *Guest House* will have their hotel bill collected from their LES if the soldier does not pay their bill. Soldiers staying on the economy must pay their bills when they check out.



OVERSEAS ENTITLEMENTS

9. OVERSEAS HOUSING ALLOWANCE (OHA)

OHA is an entitlement for soldiers authorized to live in privately leased or owned quarters. It is a monetary entitlement intended to assist service members in defraying housing costs in an overseas location where government quarters are not assigned.



The maximum OHA entitlement is based on the soldier's rank, location, and whether or not the soldier has command-sponsored dependents in country.

OHA is paid monthly and is reflected on the Leave and Earnings Statement (LES). It is effective the date the soldier's lease begins and is stopped when the lease terminates. For soldiers stationed in Europe, OHA is calculated by taking the rent amount "local currency" as stated on the lease agreement and converting the amount to dollars based upon the current exchange rate.

Soldiers entitled to OHA must start with their local servicing Housing Division Office. Housing will assist in preparing all necessary documents: DD FORM 2367, Individual Overseas Housing Allowance, DA FORM 4187 (signed by the soldier's commander), Lease Agreement, Statement of Non-Availability, Receipt for Realtor's Fee, and Permanent Change of Station (PCS) orders.



OVERSEAS ENTITLEMENTS

OVERSEAS HOUSING ALLOWANCE (OHA) CONT...

Soldiers entitled to OHA are authorized an Advance Station Housing Allowance, which must be paid back and prorated over 12 months. In addition, an Advance Security Deposit is authorized and will be paid back to finance once the lease is over or prorated 12 months prior to departure. This payment must be paid back in local currency and both are applied for through the housing office.

Once a soldier verifies the advances have been automatically deposited into his/her account, the cashier at your local finance office will cash a personal check and exchange for local currency, the amount necessary to pay first month's rent and the security deposit.

This is a one-time privilege given to soldiers within the first thirty days of the lease. Thereafter, soldiers must use alternate means to purchase Euro for rent payments.

Additional Entitlements.

In addition to OHA, soldiers authorized to live off-post may also be eligible for other allowances.

Move In Housing Allowance (MIHA) – Miscellaneous. This entitlement is a dollar amount based on the soldier's location and is for expenses incurred while moving into off-post housing and used to help furnish the residence. The housing office is the approving authority.

Move In Housing Allowance (MIHA) – Rent. This allowance of 150.00 is for the Realtor's Fee. A receipt must be provided to Finance office showing proof a realtor's fee was paid by the soldier. Housing prepares the document and attaches the receipt and signs for the authorization for payment.



OVERSEAS ENTITLEMENTS



10. BASIC ALLOWANCE FOR SUBSISTENCE (BAS):

Officers are entitled to BAS when authorized basic pay. BAS is recouped for field exercises by the unit. Upon returning from the field exercises, meals consumed are collected at a reduced rate.

SFC through CSM separate rations are started upon in-processing or promotion regardless of marital status.

PVT through SSG with command sponsored family members that traveled concurrently will have their separate rations started upon in-processing.

Soldiers with deferred family member travel may submit an approved DA Form 4187 through their unit PAC to start separate rations after their meal card is surrendered and upon arrival of family members.

Authority to approve separate rations for soldiers in the ranks of PVT through SSG without family members or who are unaccompanied is delegated to the first field grade officer in the chain of command and may not be further delegated. Soldiers may submit an approved DA 4187 through their unit PAC.

Barracks soldiers will receive full BAS on the left-hand side of their leave and earnings statement and have their meals deducted on the right-hand side of their statement with the difference as their BAS payment.

For additional information: www.dtic.mil/comptroller/fmr/



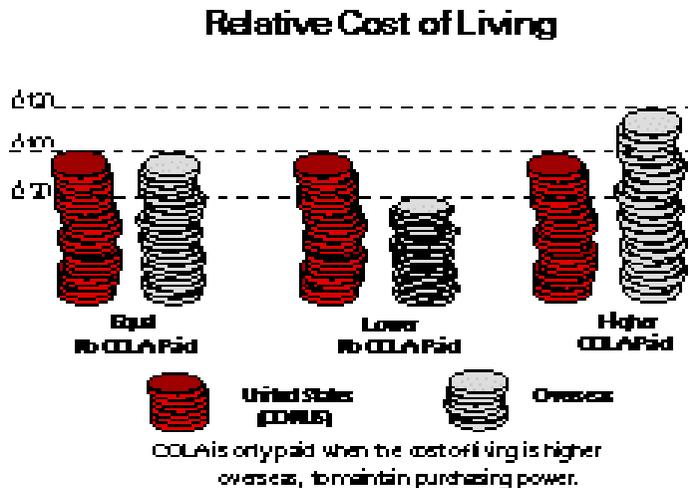
OVERSEAS ENTITLEMENTS

11. COLA

The Cost-of Living Allowance is paid to service members stationed in high-cost areas overseas. COLA helps maintain purchasing power so you can purchase the same goods overseas as in the United States.

Q. Does everyone assigned overseas receive COLA?

A. No. If the cost of living in the overseas area where you are assigned is the same as, or lower than it would be in an average area in the United States, you do not receive COLA.



Q. Does the type of housing I occupy affect my COLA?

A. Yes. If you live in the barracks or aboard ship, you will receive less COLA.

Q. Does the amount of COLA I receive affect my OHA?

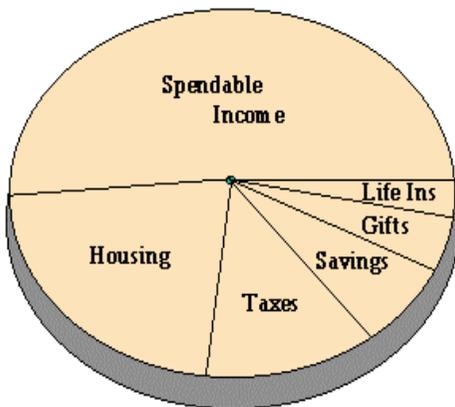
A. No. COLA and OHA are separate allowances.



OVERSEAS ENTITLEMENTS

Q. How do they know what my spendable income really is?

A. The spendable income used to calculate COLA is based on averages. The Per Diem Committee uses spendable-income tables computed for different family sizes and income levels. These tables are based on consumer expenditure surveys from the Department of Labor's Bureau of Labor Statistics that show how people typically spend their income.



Don't rely on the amount of COLA you receive because it changes each month.

Q. How often is COLA adjusted?

A. The committee can adjust COLA as often as every payday. It may take a while for the change in COLA to show up in your pay. Log on to:



www.dtic.mil/perdiem/index.html



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OVERSEAS ENTITLEMENTS

12. CONSECUTIVE OVERSEAS TOUR (COT) TRAVEL or IN PLACE CONSECUTIVE OVERSEAS TOUR (IPCOT)

Individuals who PCS from one overseas location to another overseas location (COT), or perform consecutive tours of duty at the same location, (IPCOT), may receive entitlements equivalent to a free round trip ticket home. Actual leave days are chargeable if the free plane tickets are accepted. The cost of the transportation cannot exceed that to their home of record for the soldier and his/her authorized dependents.

Soldiers and their command sponsored dependents PCSing from one overseas location to another overseas location are authorized reimbursement of travel expenses, including per diem, from the old duty station or current duty station, to their home of record, and to the gaining station.

Individuals and their command-sponsored dependents extending in Europe for another full tour after completion of a previous tour are eligible for reimbursement of travel expenses, equal to distance from old duty station to home of record and return to Europe. Travel time to and from home of record is not chargeable as leave, but soldiers have only one year to complete travel.

Soldiers and their dependents must have orders authorizing COT/IPCOT leave. Leave starts when the plane lands in CONUS, unless the orders state otherwise. Individuals traveling to a place other than their home of record are reimbursed up to the rate for traveling to their home of record.

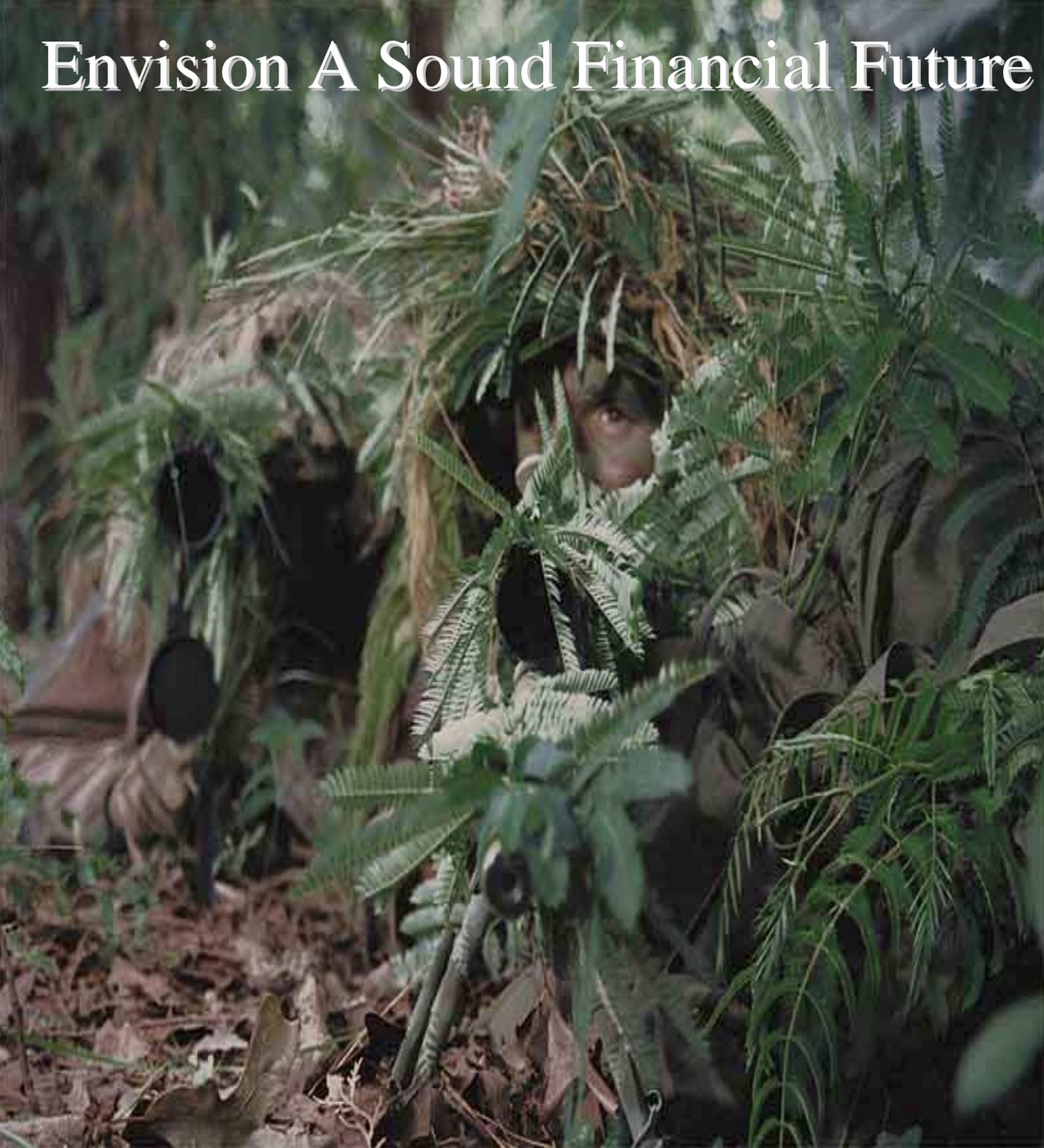
Individuals can travel on commercial airlines if they are authorized on their COT leave orders. For questions of eligibility, visit your local Personnel Support Battalion.

***** VISIT YOUR LOCAL SATO TRAVEL OFFICE FOR TICKETS*****



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Envision A Sound Financial Future



ON POINT FOR THE NATION



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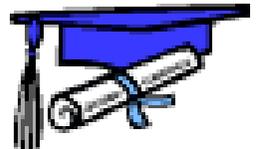
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SETTING FINANCIAL GOALS

The key to financial success is not necessarily making a large amount of money, but having an understanding of the fundamentals of savings, investing and taking a disciplined approach to improving your financial situation.

Understanding the concept of “Compound Interest” also known as “The Time Value of Money” unleashes the true power for building wealth. Even the smallest amount of money saved consistently and systematically can multiply beyond your expectations. Getting started:

1. **Establish Goals** – examples: decrease your debt, send your kids through college, save for a down payment on a car or home, or become financially independent.
2. **Determine the resources to achieve those goals.**
 - A. Current financial net worth
 - B. Future earnings



Your net worth is calculated by subtracting your liabilities (what you owe) from your assets (what you own). Financial assets include checking/banking accounts, money market accounts, mutual fund positions, stocks, bonds, certificates of deposit, etc...Liabilities include “what you owe” like mortgages, credit card balances, car loans, personal loans, and education debt.



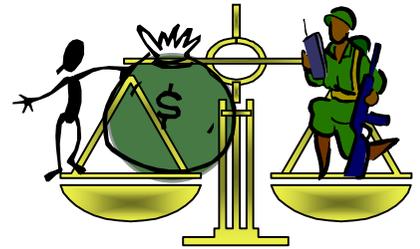
PERSONAL INCOME

Assets

Savings Account	\$1,000
Checking Account	100
US Saving Bonds	150 (true value, not face value)
Certificates of Deposit	<u>700</u>
Total Assets	\$1,950

Liabilities

Credit Card Balances	\$600
Car loan	1,000
Personal Loans	<u>100</u>
Total Liabilities	\$1,700



Financial Net Worth **\$250**

In this example, the soldier's net worth is \$250. Knowing the makeup of your net worth allows you to work on establishing a financial foundation. Once the foundation is established, the next step involves investing in mutual funds and stocks, for example, that have the potential for improving your financial situation. The decision to invest in "riskier" assets is also based on how much time you have to invest and how much you can afford to lose. Naturally, the goal is not to lose, but there is always that possibility.



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ESTABLISHING A BUDGET

Step 1: Analyze your spending habits

Step 2: Eliminate or reduce unnecessary spending

Step 3: Finalize the Budget

Step 4: Set aside money for saving or investing

Step 5: Stick to your budget

There are a number of Internet sites dedicated to helping you establish a budget. Many of these sites include a calculator allowing you to experiment with different scenarios while constructing your real budget. We encourage you to research and use these various sites as tools for developing your budget.

For more information on budgeting, contact the Army Community Service (ACS). ACS has financial counselors that are available to assist service members and their families in developing sound budgets.



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BUDGET WORKSHEET

Monthly Budget Worksheet	
Monthly Expenditures	
Food	\$ _____
Rent or mortgage payment	\$ _____
Child care	\$ _____
Utilities	\$ _____
Household maintenance	\$ _____
Saving/Investing	\$ _____
Retirement savings plan contribution	\$ _____
Auto loan payment	\$ _____
Auto maintenance	\$ _____
Transportation (gas, fares)	\$ _____
Income and Social Security taxes	\$ _____
Property taxes	\$ _____
Clothing	\$ _____
Insurance	\$ _____
Credit card payments	\$ _____
Contributions	\$ _____
Entertainment	\$ _____
Dues	\$ _____
Other	+ _____
Total Monthly Expenditures	
	\$ _____
Monthly Receipts	
Wages or salary	\$ _____
Interest (CDs, savings account, etc.)	\$ _____
Dividends (mutual funds, stocks, etc.)	\$ _____
Other	+ _____
Total Monthly Receipts	
	\$ _____
Net Cash Flow	
Total Monthly Receipts	\$ _____
Total Monthly Expenditures	- _____
Monthly Net Cash Flow*	
	\$ _____



PERSONAL INCOME

ESTABLISHING A BUDGET

A positive net monthly cash flow means you have additional money available for saving and investing. If the figure is negative, you need to find ways to trim your monthly expenses, or you won't be able to achieve your financial goals.

Many people find they are spending more than they bring in. It's difficult to increase your net worth (and meet your financial goals) if you are constantly falling behind on the income front. After reviewing the information you entered on the Monthly Budget Worksheet, you might have to ask some hard questions.



The answers will probably point you to one or more possible solutions, such as cutting back on the nonessentials or finding less expensive alternatives. Then, you can put the money you save to work toward meeting your goals and move up!



TIME VALUE OF MONEY

Money and time are your friends if used wisely. Sacrificing something simple like a soda or coffee each day can really make a difference. During your regular work week, if you invest 50 cents a day or \$10.00 a month for 10 years, watch how time and interest rates can make your money grow. This is only \$120 a year for a total investment of **\$1,200** for 10 years. This is the same amount as the GI Bill.

value of investment	\$1,441	\$1,582	\$1,738	\$1,912	\$2,106	\$2,436	\$3,997
annual return	4%	6%	8%	10%	12%	15%	24%
amount at retirement	\$4,673	\$9,084	\$17,493	\$33,372	\$63,049	\$161,321	\$2,410,546

This is all from a **\$1,200 investment** and retiring at age 65. Make your money work for you!





POWER OF COMPOUNDING

The importance of **time** cannot be underestimated – it is not just how much you save that counts, the amount of time with a consistent savings program makes a huge difference.

The strategy consists of doing three things:

1. **Start Now.**
2. **Save regularly regardless of the amount of savings.**
3. **Get the highest interest rate/return for your money.**



The chart below demonstrates how investing \$150 per month can grow to over \$1,000,000 in 38 years assuming an **11 percent annual return**. As the economy continues to struggle, the 11% may seem high, but you're investing for the future and history reveals this is achievable.

Initial Investment for 10 years is \$18,000
20 years is \$36,000
38 years is \$68,400

\$150 Invested Each Month

Interest Rate	10 Years	15 Years	20 years	30 years	38 Years
11%	\$32,550	\$68,203	\$129,846	\$420,678	\$1,033,084





The chart below demonstrates how a **one-time \$1,000 investment** can grow assuming 5 and 10 percent annual returns:

\$1,000 Lump Sum Investment

(Invested one time only)

Interest Rate	20 years	30 years	40 years	50 years	60 years	70 years
5%	\$2,653	\$4,321	\$7,039	\$11,467	\$18,679	\$30,426
10%	\$6,727	\$17,449	\$45,259	\$117,390	\$304,481	\$789,747

Here is another example showing how **\$10 per month** can grow in 60 years at an average annual rate of 12%. Initial investment for 20 years \$2,400

40 years \$4,800

60 years \$7,200



Saving \$10 Per Month

Interest Rate	20 Years	30 Years	40 Years	50 Years	60 Years
12%	\$9,893	\$34,950	\$117,648	\$390,583	\$1,291,377



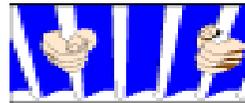
PERSONAL INCOME

LEARNING TO MANAGE DEBT

Debt management is the process of relieving a financial obligation through personal financial planning. There is one simple key to staying out of debt--spending within your means.



Debt can often be a serious problem, especially for soldiers, if it is not managed properly. For members of the military, severe indebtedness can lead to forfeiture of earnings, loss of a security clearance and possible punitive action.



It is important to invest your money if you want to increase your wealth. However, it is not wise to invest money while carrying any kind of debt outside of continuing your emergency fund. Therefore, debt management is the most important step toward becoming financially responsible and successful.



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PERSONAL INCOME

TYPES OF DEBT

Credit Cards – Companies are in business to make money

You are young and new to the world of credit. You continually receive credit applications in the mail that look great. WOW—a \$5,000 limit. Do you know what I could buy with \$5,000? This is the kind of thinking that gets so many young soldiers into trouble. Remember, if it looks too good to be true, then it probably is.

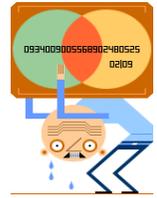
Credit cards for every occasion



Credit cards work on the basic principle of “buy now and pay later.” Credit cards are very convenient and safe for instances such as large purchases, reservations and emergencies.

However, they can also be very dangerous when abused. Items charged often actually cost more than the original price due to interest payments and other assorted fees imposed by the credit company. Credit is not a bad thing if it is used properly. It is the improper usage of credit cards that causes most of the problems.





CREDIT CARDS

You're getting ready to buy one of the new game systems for \$300.00 along with a few games at \$50.00 a pop, extra controller and of course a memory card. You're looking at around \$500.00 for everything. But wait, you really can't afford it right now. That's alright, just use the new credit card and you'll pay it off later, right?

A lot of people think this way but end up being sucked into a compound interest sinkhole. The minimum payment on credit card debt is calculated as a percentage of your current balance. The minimum payment drops as your balance is paid, but thanks to the magic of compounding, you'll end up paying for a long, long time. Two examples are:

\$500.00	Balance	\$500.00
18%	interest rate	21%
\$12.50	minimum payment	\$25.00
Example #1	or 2.5%	Example #2

Starting off at paying the \$12.50 minimum payment at 18%, it will take you **84** months to pay off your debt. In that time, you will pay **\$365.40** in interest.

Paying the \$25.00 minimum payment at 21%, it will take you **53** months to pay off your debt. In that time, you will pay **\$209.90** in interest.

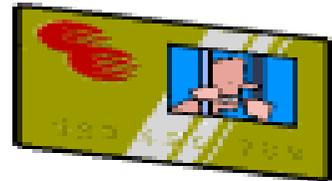
** Most companies will charge \$29.00 a month in late fees in addition to the balance. One late payment at the \$12.50/18% rate a month and you just paid close to **\$900.00** total for the new game system.





CREDIT CARDS

Choose a Credit Card that Best Suits You -- Before you sign up for a credit card, it is important to choose one that best suits you. Once you sign up for a credit card, you have entered a legal contract stating you agree to the terms the company has set. This includes your agreement to the stated interest Annual Percentage Rate (APR) and to pay any annual fees, late fees, or charges. You want a low APR and no annual fee. APR's can range from 8% to 25%.



Ways to Avoid Credit Card Trouble

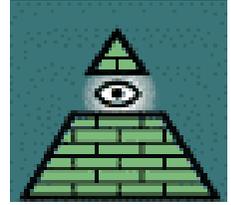
- 1) **Renegotiate with the credit companies** -- Call your credit card companies and inform them you desire a lower interest rate. If you are having trouble with your finances, ask them to lower your rate. The key is being polite and informing them you have been receiving other offers to consolidate your debt.
- 2) **Pay off as much as you can** -- DO NOT pay only the minimum amount due each month. If there is only one thing you should remember from this lesson, it is you must pay off your credit cards before investing money (again, outside of what you have in your emergency fund).



266th Finance Command

PERSONAL INCOME

4-STEP PYRAMID



STEP ONE:

The first step involves writing down all outstanding credit card balances in ascending order (smallest to largest).

STEP TWO:

Concentrate on paying off the lowest balance which eliminates the lowest credit card balance. For example, if the minimum monthly payment is \$40 on the smallest balance, a check could be written for \$75. Pay this extra amount every month until the entire balance of the first card is paid off.

STEP THREE:

Once the lowest card is completely paid off, concentrate on the second position. For example, if the minimum payment on the first position was \$40 and the payment for the second card is \$55, then your monthly payment to the second credit card would be \$95 ($\$40 + \$55 = \95).

STEP FOUR:

Continue using this strategy until all credit cards are completely paid off.



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LOANS

The second major area that gets soldiers into debt is loans and “scams” that can accompany them. Loans offer the same quick fix that credit cards do--cash now and pay later. Soldiers often make the mistake of signing up for loans that end up costing them more in the future than they anticipated.

There are many types of loans available to soldiers. Auto loans and fast cash loans are the two most common. Loans operate under similar principles as credit cards. Just like with credit cards, it is imperative that you research options before making any rash decisions. Before you take out a loan, there are many things that you must consider.

Loans are not always bad. People take out loans all the time for necessary purchases such as houses and cars. If you include a loan within your budget and it leaves you only \$50 for miscellaneous items, then a loan is probably not a good idea. That would be a mistake as would taking out a loan for something such as a vacation.



PERSONAL INCOME

LOANS

You must be realistic when applying for a loan and understand you will pay back a lot more than the company is loaning you.

Very few military members can afford the new 2002 Mercedes Benz SL 500 Series. This is definitely window shopping for most of us. Don't let a salesman talk you into something you cannot afford.



Keep purchases within your price range and budget. It's great to have a nice car, but not at the expense of living from paycheck to paycheck or ruining your credit.



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PERSONAL INCOME

Buying a new car is a big step for most people. You must plan for paying the price of the car, insurance, tires, and maintenance in addition to the interest paid below. The following examples using a '98 Honda Accord, demonstrate how important a good interest rate can become.

Loan amount: \$10,000.00
Interest Rate: 8.00 %
Your Monthly payment: \$202.76
Loan Length (Term): 5 years
Total interest if paid to term: \$2,165.89

Loan amount: \$10,000.00
Interest Rate: 10.00 %
Your Monthly payment: \$212.47
Loan Length (Term): 5 years
Total interest if paid to term: \$2,748.23

Loan amount: \$10,000.00
Interest Rate: 12.00 %
Your Monthly payment: \$222.44
Loan Length (Term): 5 years
Total interest if paid to term: \$3,346.77

The difference
between interest
rates is **BIG!**



A **\$1180.88** difference
from 8% to 12%. This
is your money!





PAY YOURSELF FIRST

Results of saving 30% of promotion raises at 4% interest compounded annually – based on 1 Jan 2002 pay tables

	5 Yrs	10 Yrs	15 Yrs	20 Yrs
E-1 w/ less than 2 yrs promoted to E2 gains an extra \$134 a month. 30% equals \$40.00, for a savings of \$40.00	\$2,705	\$5,448	\$9,105	\$12,604
E2 w/ 2 yrs is promoted to E3 gains an extra \$146 a month 30% of this is \$44.00. Results of saving \$44.00	\$3,212	\$7,120	\$11,875	\$17,660
E3 w/ 3 years is promoted to E4 gains an extra \$212 a month 30% of this is \$64.00 Results of saving \$64.00	\$3,840	\$10,356	\$17,272	\$25,686





PAY YOURSELF FIRST

The “pay yourself first” method helps cut out impulse purchases. The recommended start is 10% of your paycheck. The key is to find ways to save. Most soldiers come into the Army with the GI Bill, which is a great investment in itself. These soldiers pay \$100 a month for their first twelve months. Somehow they managed to survive without the \$100 for their first twelve months. Once the GI Bill is paid off, why not earmark the money for savings since you are not used to having it already? For young soldiers, this will probably easily meet the 10% goal.

**Results of saving
\$100 per month
for 1-year**

Total years	5	10	15	19	21	24
savings - no interest	\$6,000	\$12,000	\$18,000	\$22,800	\$25,200	\$28,800
results at 4% interest	\$6,630	\$14,725	\$24,609	\$34,067	\$39,394	\$48,226



PERSONAL INCOME

INVESTMENTS

Investing in mutual funds offers an excellent way to participate in the stock market without having to be an expert on investing.



A mutual fund allows the average individual investor that lacks the capital requirements, to reach the same levels of diversification of wealthier investors. Diversification can be a number of different investments to include the stock market, bonds and other stocks that make up a portfolio.

A mutual fund sells shares to the general public and uses the proceeds of these sales to purchase a large portfolio of securities that would otherwise be impossible for the individual investor to achieve on his/her own.



266th Finance Command



MUTUAL FUNDS

There are many types of mutual funds to choose from in today's market place. Determine the fund to purchase and find the toll-free telephone number for the fund company. A simple call to the fund requesting a prospectus and application will set the process in motion.

Typical minimum initial investments can range from \$250-\$3000 to get started in the fund. Often, this minimum investment amount can be waived if the investor agrees to invest a specified amount each month by signing up for the option to allow the mutual fund to debit his/her bank account each month for the amount.

The investigation of funds is made easy in today's age of information. Instant access to fund histories to include rates of return and dividends is available twenty-four hours a day through the Internet. Additional sources of information are newspapers and magazines that focus on investing and security markets.





TYPES OF MUTUAL FUNDS

Growth Funds: As their name implies, these funds tend to look for the fastest-growing companies. Growth managers are willing to take more risk and pay a higher price for their stocks in order to create a portfolio of company stocks.

Growth and Income Funds: Growth and income funds are for those investors that desire income and whose goal is not immediate capital gain (meaning share price appreciation). These funds specialize in high-yielding stocks (pay high rates of dividends) and bonds (earn high interest rates) with two objectives, to achieve long-term growth of capital and to provide a reasonable level of current income.

Balance Mutual Funds: A balanced mutual fund is a fund composed of both a variety of common stocks and fixed income securities such as bonds. The objective of this type of investment is to minimize the risk without sacrificing the possibilities of long-term growth.

Small Company Funds: A small company fund will focus on companies with a market value (value of all stock in the company) below \$1 billion. These types of funds are good for retirement accounts and other similar accounts established for the very long term.





TYPES OF MUTUAL FUNDS

Growth Funds: International or Foreign Funds: These funds invest in non-US companies. This allows investors to gain exposure to overseas markets. Using mutual funds as a means for participating in foreign markets is the best alternative because research is scarce and foreign companies are very hard for individual investors to track on their own.

Index Funds: These fund managers buy all the stocks or bonds in a chosen index selected to represent a certain segment of the market. If your goal is long-term growth without having to pay much attention, these funds offer the best solution.

Bond Funds: Not all mutual funds have to be stock funds. There are funds that invest in only real estate or bonds. If your goal is long-term growth without having to pay much attention, these funds offer the best solution.

Sales Commissions and Fees: Mutual funds that charge a sales fee or commission are considered to be load funds and those that do not charge these fees are considered to be no load funds. Both types of funds charge annual management fees to cover fund expenses like salaries, building rent, legal fees, etc.

For more information about Mutual Funds, check out the finance modules on our website or contact your local ACS office.

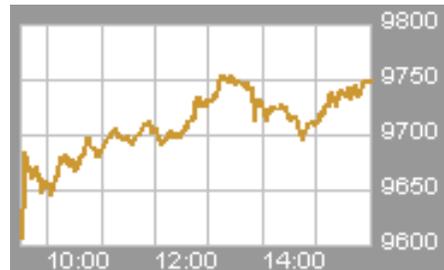


PERSONAL INCOME

STOCKS

Ownership of a corporation is represented by shares of stock which are claims on a corporation's earnings and assets. Stockholders buy a fractional portion of a company that they expect to operate profitably.

The value of stocks can change at any time depending on market conditions, including economic, social and political factors. At times, a company will over-perform or under-perform the market's expectations. When this happens, drastic increases or decreases in the stock's value often result. Investors' perceptions also play a role in that investors sometimes purchase a company's stock believing that it will be profitable.



Buying Stocks

Understanding the way the market functions can go a long way toward giving you reasonable expectations of your investment performance. Historically, a long-term commitment will help your portfolio ride out major downturns in the market. If you are too eager for profits or too fearful of downturns, you may miss long-term opportunities to meet your investment goals.





STOCKS

Types of Stocks - Stocks of corporations can be grouped into different categories. A few examples include:

Income Stocks -- Stocks that pay regular (usually quarterly) dividends. Dividends are the portion of the company's profit paid out to its shareholders. Large, mature companies usually pay dividends, while smaller companies reinvest their profits to grow.

Growth Stocks -- Stocks that have had faster-than-average gains in earnings and are expected to continue to show profit.

Blue Chip Stocks -- These are large, well-established companies that often pay out large dividends because of their strong history. The Dow Jones Industrial Average represents 30 actively traded blue chip stocks.

Value Stocks -- These are companies whose stock trades at values that are low compared to its book value or earnings. Other stocks include Cyclical Stocks, Defensive Stocks and Speculative Stocks.

*Anyone seeking to purchase stocks should consult a reputable agency before placing any orders to buy or sell a security. The investor may call a broker to place an order or place an order electronically to a broker using the Internet.



PERSONAL INCOME

STOCKS

Historically, investments in stocks have outperformed all other forms of long-term investments – large company stocks have returned an average of 11% per year since 1926 as compared to long-term treasury bonds that have averaged 5.2% per year over this same period of time. This makes stocks very attractive if you are investing for the long term.

Stocks are bought, sold, and traded between U.S. stock market investors and other investors from many countries on a global scale. Other major exchanges include the Frankfurt Stock Exchange in Germany, London Stock Exchange in England, and the Shanghai Stock Exchange in China.

What are these symbols and what do they mean?



- STANDARD & POOR 500
- DOW JONES
- NASDAQ



PERSONAL INCOME

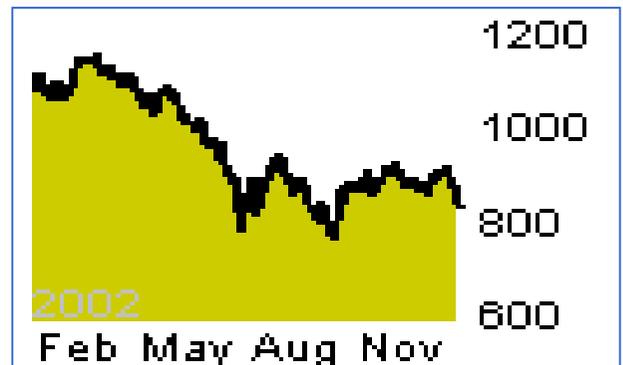
STOCKS

Standard and Poor (S&P 500): Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance.

S&P 500 Index (\$SPX)

EXAMPLE BELOW

Last	1,111.94
Change	15.72
% Change	1.43%
Open	1,096.22
High	1,112.01
Low	1,094.68
52 Week High	1,383.37
52 Week Low	944.75



PERSONAL INCOME

STOCKS

Dow Jones Industrial Average (DIJA): Represents U.S. listed equities, excluding transportation and utility stocks. They are generally comprised of very large and well known blue-chip stocks like Coca-Cola Co. and General Electric Co.

Dow Jones Industrials Avg (\$INDU) EXAMPLE BELOW

Last	9,884.78
Change	140.54
% Change	1.44%
Open	9,739.81
High	9,892.80
Low	9,710.68
52 Week High	11,350.05
52 Week Low	8,062.34



DOWJONES



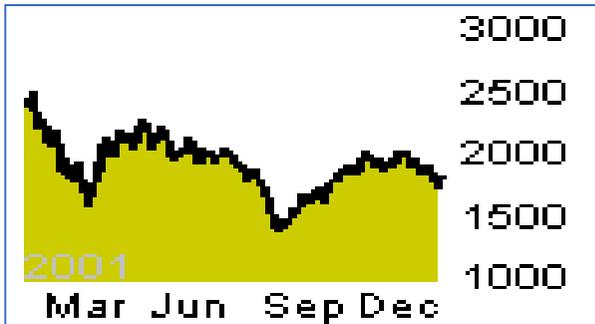


STOCKS

National Association of Security Dealers Automated Quotation (NASDAQ): Lists the securities of nearly 4,100 of the world's leading companies.

NASDAQ Composite (\$COMPQ) EXAMPLE

Last	1,846.66
Change	27.78
% Change	1.53%
Open	1,816.94
High	1,846.93
Low	1,815.38
52 Week High	2,593.09
52 Week Low	1,387.06



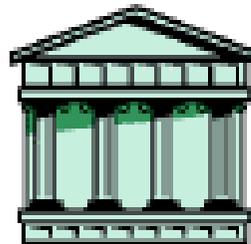


BONDS

Bonds often have higher and more dependable income than stocks and, in some cases, the income is tax-exempt. Once an investor buys a bond, the bond can be traded, possibly at a different price than the original value. Bond price fluctuation is mainly due to interest rate fluctuations. Bonds are likely to have less fluctuation in value than stocks.

There are a couple of reasons to invest in bonds. Bonds typically offer the investor a greater ability to convert their investment into cash. The shorter the maturity, the greater the liquidity of the bond. Income is another reason investors choose bonds for their portfolios.

Bond Classifications :



Types of Issuers

- U.S. government -- to finance national debt and the federal budget
- Corporations -- to finance long-term capital projects
- State and local government -- to finance public projects like roads, schools, hospitals

Maturity

- Long-term (10+ years)
- Intermediate-term (3-10 years)
- Short-term (less than 3 years)



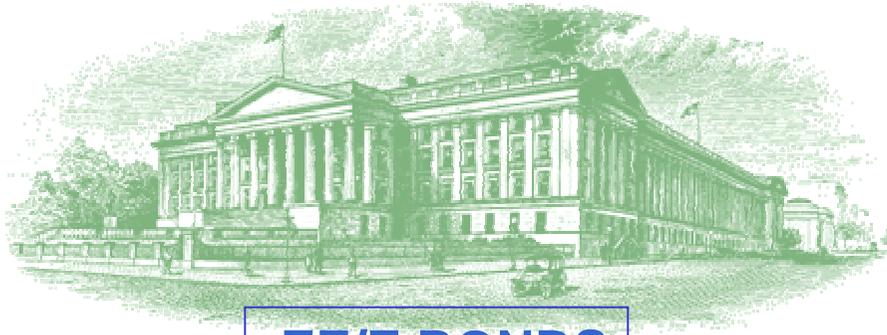


I BONDS

I Bonds are a new type of bond designed for investors seeking to protect the purchasing power of their investment and earn a **guaranteed** rate of return. Features of the I Bond include:

- Accrual interest added to the bond **monthly** and paid when the bond is cashed.
- Sold at face value - you pay \$50 for a \$50 bond. Grows in value with inflation-indexed earnings for up to 30 years.
- Increases in value each month and the interest is compounded semiannually.
- Increases in value on the first day of the month.
- U.S. Treasury security backed and **cannot** lose money; protected from the effects of deflation.
- Bonds earn interest for up to 30 years.
- Earnings are exempt from state and local income taxes.
- Federal income taxes can be deferred for up to thirty years, or until redemption or other taxable disposition, whichever comes first.





EE/E BONDS

The Series EE savings bond accrues interest (increases in value) until it is cashed or reaches final maturity in 30 years. The "double E" is the successor to the Series E bond (also an accrual bond) that was issued from May 1941 through June 1980. It is offered by the Department of the Treasury and backed with full faith and credit.

- Rates are announced every six months.
- Interest accrues monthly and compounds semiannually.
- Can earn interest for up to 30 years and interest earnings are payable upon redemption.
- Interest earnings on bonds are exempt from State and local income taxes until they are withdrawn.
- Cannot redeem until six months after its issue date.
- If redeemed before 5 years old, forfeit the three most recent months' interest on that bond.

**** Information applies only to Series EE bonds issued May 1997 or later.**





EE/E BONDS



Beginning December 11, 2001 the Series EE savings bonds will be inscribed with the special legend "Patriot Bond." These specially designated Series EE Patriot Bonds offer Americans one more way to express their support for our Nation's war and recovery efforts.

Many Americans expressed a desire to show their support for the rebuilding and war efforts. The Patriot Bond is one way they can do so.

You can order the Patriot Bond Series EE bond at any financial institution or over the Internet at [Savings Bonds Direct](#) and will receive the bond in the mail.

The money invested in Patriot Bonds will not be earmarked just to pay for the War on Terrorism. The proceeds from the sale of all Treasury securities, including Patriot Bonds, are deposited in the general fund and spent according to law.





I versus EE



BONDS

- Issued at face value
\$100 I Bond costs \$100
- Interest calculated at a **fixed rate** of return/**semi-annually**
- **Guaranteed rate of return**
- **No guaranteed** level of earnings
- Increases in value monthly and interest compounds semiannually; Interest is paid when the bond is redeemed
- Earns interest up to 30 yrs

- Issued at 50% of face value
\$100 EE Bond costs \$50
- Interest calculated as **90%** of **6-month averages of 5-year** Treas. Securities yields
- **Guaranteed** to reach face value in 17 years
- Increases in value monthly and interest compounds semiannually; Interest is paid when the bond is redeemed
- Earns interest up to 30 yrs

****Both series of bonds contribute to the US Government and investors must choose investments based on personal preference. The series I Bond is a great addition to the bond family and earns a guaranteed rate of return with interest calculated at a fixed rate. For more information about both bonds access <http://www.publicdebt.treas.gov>**



PERSONAL READINESS

Active component military personnel ordered to deploy or Reserve and National Guard members being mobilized realize that the time to put your personal and legal affairs in order may be relatively short once the deployment order is issued or the mobilization begins.

Most military members realize that problems may arise when you are suddenly separated from your family and, for reserve component members, your business and civilian job. Advance planning will help avoid many legal problems upon mobilization or deployment.

In addition, taking care of personal legal affairs now will give you and your family peace of mind. This information should assist you in minimizing personal legal problems before deployment or mobilization.

Begin by anticipating what would happen if you were required to be apart from your family at a distant location for an indefinite period of time, unable to remain in continuous communications with your family and friends.

There might be substantial legal and other changes in your life and in the lives of those you left behind. What can you do now to anticipate and prevent legal problems that might arise? Put your personal, property, and financial affairs in good order now so that there will be no confusion or uncertainty.



ON POINT FOR THE NATION



266th Finance Command



FIRST IN FINANCE SUPPORT

PERSONAL READINESS

A very useful item is a Service Member Deployment Checklist.

www.defenselink.mil/ra/family/toolkit/pdf/B-1.pdf

One key to a successful deployment is advance preparation and direct communication with your spouse and family. Keeping personal and legal affairs in order at all times is important to the individual's and family's welfare.

You are responsible for your personal and legal affairs. Planning ahead will help family members have access to all the information they need and can give you the peace of mind that your family has the resources and support needed during your absence.

If you play a major role in paying bills, managing the family income, handling home repairs and servicing the car, your absence may shift these responsibilities to your spouse.

The checklist and tips listed can help prevent your family from feeling overwhelmed and the checklist can be used to record important family matters.



Preparation for deployment is also essential for single service members. A separate checklist for single service members is also included.



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PERSONAL READINESS - SGLI

Military members may purchase a Servicemen's Group Life Insurance (SGLI) policy available through military pay deduction. It is currently limited to \$250,000 (since 1 April 2001).



With the recent increase, now is a good time to review your SGLI beneficiary designations. For details on beneficiary designation see AR 600-8-1, Army Casualty Assistance Insurance, paragraph 11-29.

Any day is a good day to be sure you have properly named who you want to receive your insurance policy proceeds.

You may find more general information about SGLI by talking to your local Personal Support Battalion or access:

www.insurance.va.gov

This page of the Department of Veteran's Affairs includes many frequently asked questions and the SGLI/VGLI Handbook.



PERSONAL READINESS - SGLI

- The Family SGLI program is primarily a personnel driven program similar to regular SGLI. Soldiers are not eligible for this program if they are not enrolled in the regular SGLI program. Spouse coverage cannot exceed soldiers' regular coverage and cost is based on spouse's age with the maximum coverage being \$100,000.
- There is no clause excluding payment of benefits due to preexisting medical conditions for those enrolled as of 1 November 2001. Children's coverage is automatic (\$10,000 per child) and at no cost to the soldier. Soldiers cannot decline to have their children covered.
- All married soldiers who have a valid SGLI option will **automatically** be enrolled for the maximum coverage **unless** a SGLV Form 8286A is completed and the Defense Enrollment Eligibility Reporting System (DEERS) is updated.
- Soldiers who decline or request a lesser amount of coverage during the initial period who later decide they want coverage or want to increase coverage will be required to complete a SGLV Form 8285A, Request for Family Coverage for Spouse (SGLI).
- Only the Central Site at DFAS will be authorized to make refunds for erroneous deductions of Family SGLI. Field Sites will be required to review SGLV Form 8286A. Forms can be downloaded from the following web site: www.insurance.va.gov



PERSONAL READINESS - WILL

A will is a legal document used to dispose of your property upon your death. It may also name people to do important jobs, such as to administrator your estate or to be the guardians for your children. The maker of a will is called the testator.



To be valid, a will must comply with specific legal requirements, which vary state by state. If you die without a will, the law of the state of your domicile will determine how your property will be distributed, with exception of land located outside the state of your domicile. In this case, the law of the state where the land is located will control. Your domicile is the state where you are a legal resident; it is not necessarily the state where you resided or lived immediately before your death.

If you die without a valid will, your estate will be divided according to the law of intestate succession. This generally means that your spouse and child(ren) will inherit your property or estate, and that if you die without a surviving spouse or child(ren), other blood relatives will receive your estate. This division can become complicated. Legal assistance attorneys at your local Staff Judge Advocate (SJA) office are available to help you prepare a will.



PERSONAL READINESS - POA

A Power of Attorney (POA) is a written instrument that allows you (the "principal") to authorize your agent (your "attorney-in-fact") to conduct certain business on your behalf. It is one of the strongest legal documents that you can give to another person.

There are two types of POA; "general" and "special" (or limited).

General POA: Gives your agent very broad powers to act on your behalf.

Special POA: Limits your agent's authority to act only on certain matters.



Every act performed by your agent within the authority of the POA is legally binding upon you. Since a POA is such a powerful document, give it only to a trustworthy person, and only when absolutely necessary.

Your local legal assistance office can advise you about, and prepare for you, the appropriate type of POA needed for your situation.

PERSONAL READINESS - POA

You may hear that you need a "**general**" power of attorney so that someone else can take care of all your affairs if you are absent. This is probably not true. In fact, it is highly unlikely that you will ever need a general power of attorney. Here is a description of the normal types of special powers:

- **Financial Transactions:**

Cash checks or other negotiable instruments.

Start allotment, Stop allotment, Change allotment

Receive Leave and Earning Statement(s).

Borrow money from service relief organizations (e.g., Army Emergency Relief).

- **Quarters:**

Accept military quarters, including signing and taking possession.

Clear/terminate quarters.



- **Household Goods:**

To ship household goods, personal baggage, or other personal property or accept delivery of household goods.

- **Real Property:**

To sell real property, buy identified real property, rent/lease real property, manage real property or mortgage real property.



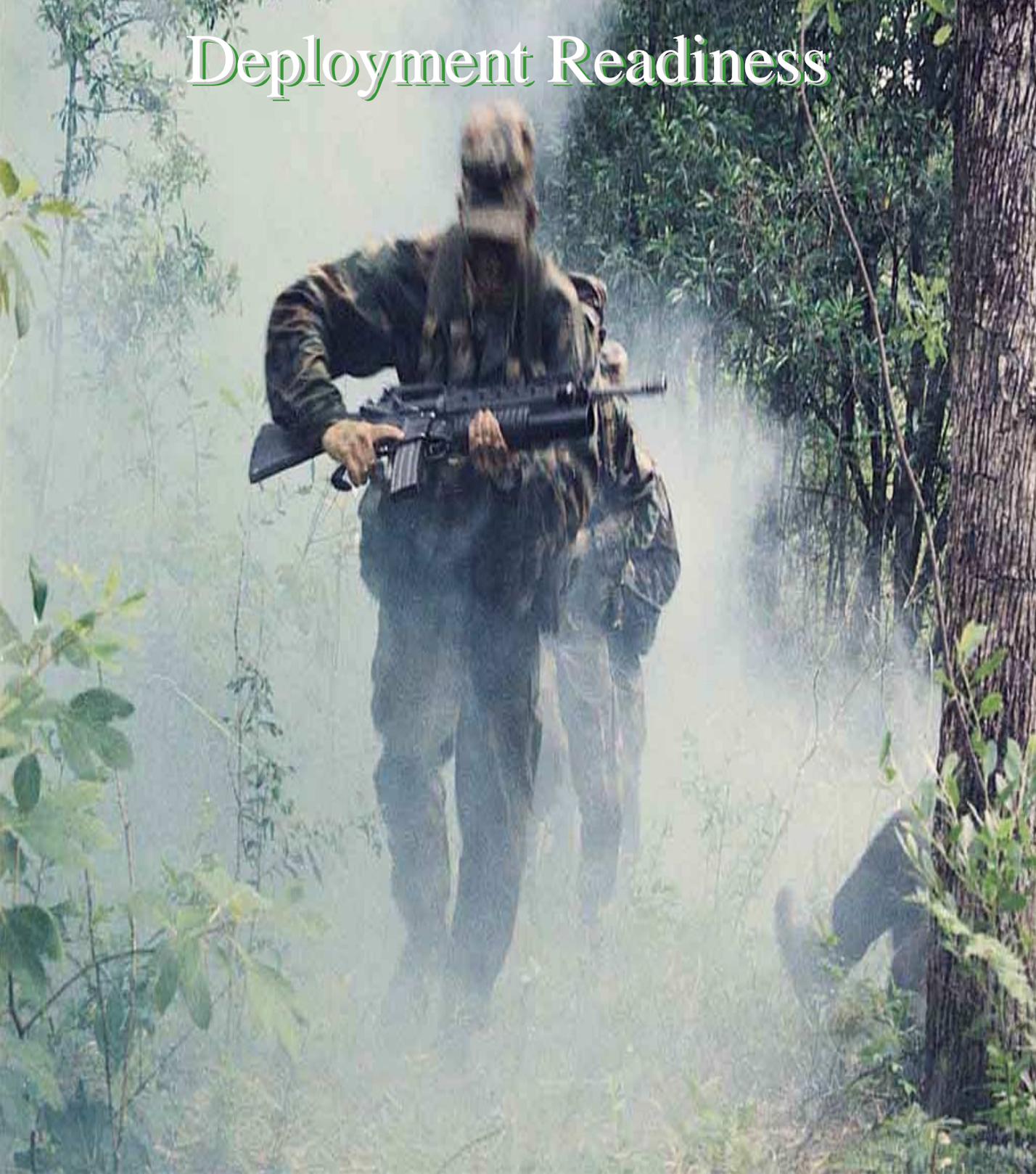
- **Motor Vehicle:**

To use and operate, sell, buy, ship, or accept delivery.

- **Child(ren):**

Temporary custody, Loco Parentis/Education Enrollment

Deployment Readiness



ON POINT FOR THE NATION



266th Finance Command



FIRST IN FINANCE SUPPORT

DEPLOYMENT READINESS

The pay entitlements described below are approved for active duty and reserve service members deployed in support of SFOR/Operation Joint Forge (OJF) and KFOR/Task Force Falcon (TFF).

Operation SFOR and KFOR are contingency operations and members will not be deployed under field conditions or essential unit messing. Service members are deployed under Temporary Change of Station (TCS) or Unit Movement Orders (UMO) and are entitled to per diem unless their permanent residence is within 50 miles or 1.5 hours drive during normal traffic. Soldiers not on TCS or unit movement orders must report to their servicing Personnel Administration Center (PAC) or Personnel Service Detachment to obtain orders.

ACTIVE COMPONENT SOLDIERS: BAH

Rental contracts and lease agreements are no longer required for the Basic Allowance for Housing (BAH) entitlement, however, finance officials may require proof of residence to ensure the proper rate of BAH is authorized. BAH with/without dependents will continue for soldiers who are not assigned government quarters and are authorized to reside off-post while maintaining a housing expense. If family members of soldiers assigned OCONUS relocate permanently to an area in CONUS, BAH (the old BAQ/VHA) may be payable. For soldiers assigned OCONUS, BAH with dependents (the old BAQ/OHA) will continue for soldiers authorized to live off-post as long as the soldier does not terminate his lease.

Additionally, there is no change to the BAH with dependent entitlement if family members depart USAREUR on a temporary or permanent basis provided a rental lease is still maintained. BAH without dependents will continue as long as the soldier maintains his private rental lease.



DEPLOYMENT READINESS

RESERVE COMPONENT SOLDIERS: BAH

The entitlement of BAH with or without dependents is payable to members called or ordered to active duty on or after 5 December 1991 in support of a contingency operation, if the member is unable to occupy his/her primary residence. They must maintain their primary residence and a rental lease or mortgage contract is required to ensure the proper rate is paid. BAH would be payable regardless if single type government quarters are occupied at their Temporary Duty (TDY) location.

For reserve soldiers residing OCONUS when called or ordered to active duty, BAH/OHA is payable. The amount is paid based on grade, dependency status, utility expenses, and principal place of residence when called to active duty. For example, if a reserve soldier living in England is ordered to active duty in Heidelberg, Germany, the soldier will receive the BAH rate for England. Operation Joint Forge (OJF) is a contingency operation which entitles RC soldiers to BAH for the entire period of active duty starting on the day travel begins if so authorized.

COST OF LIVING ALLOWANCE (COLA):

Cost of Living Allowance at the with dependents rate will continue as long as command sponsored family members remain in USAREUR. However, should family members depart USAREUR for more than 30 days (either permanently or temporarily), COLA will be reduced the day of departure to the without dependent rate. COLA will not change for soldiers drawing the without dependent or barracks rate. Amount of COLA payable depends on duty location, number of command sponsored family members, years in service, and rank.



DEPLOYMENT READINESS

Reservists called or ordered to active duty in support of SFOR/KFOR are entitled to OCONUS COLA if called to active duty from an area where OCONUS COLA is payable. The payable rate depends on the location of the soldier's principal place of residence when called or ordered to active duty. Reservists are entitled to CONUS COLA if called or ordered to active duty from an area where CONUS COLA is payable.

The payable rate is dependent on the location of the soldier's principal place of residence when called or ordered to active duty. For example, if a reserve component soldier living in England is ordered to active duty in Heidelberg, Germany, the soldier will receive the rate for England.

FAMILY SEPARATION ALLOWANCE (FSA):

FSA-Temporary (FSA-T) is payable to soldiers with dependents who are deployed for more than 30 days. A service member married to another member is entitled to the FSA-II rate, provided the couple were residing together immediately before being separated by reason of execution of military orders. Both members will not be simultaneously entitled or paid. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

R & R leave or short visits to the permanent station do not interrupt the period of entitlement, provided the soldier stays at the permanent duty station for no more than 30 days and again deploys to his TDY point for a period greater than 30 days. It is payable at \$100.00 per month or \$3.33 per day and begins the day of departure from home station and ends the day prior to arrival at home station.



DEPLOYMENT READINESS

HARDSHIP PAY LOCATION (HDP-L):

Hardship Duty Pay Location is payable to soldiers deployed in certain areas of support. For the latest up-to-date locations, contact your local servicing finance detachment.

This entitlement begins the day of arrival at one of these locations and stops the day of departure. Entitlement to HDP is established when a soldier is in the designated area for 30 continuous days and follow the same rules as FSA. When a soldier departs the area of operation for R & R or other authorized absences for more than 24 hours, the entitlement of FDP stops the day of departure from area of operation (DODFMR, Vol. 7A, Table 1-17-1).



HOSTILE FIRE PAY (HFP):

Hostile Fire Pay is payable for the total land area and airspace of the following countries: Bosnia-Herzegovina, Croatia, Serbia, Macedonia, and the remaining land/airspace within the former Yugoslavia. The coastal waters of the former Yugoslavia, Slovenia and Hungary are excluded from receiving HFP. It takes only one day in a designated HFP area to be entitled to HFP for that entire month. The amount payable is \$150.00 per month (DODFMR, Vol. 7A, Table 1-10-1).



266th Finance Command

DEPLOYMENT READINESS

SPECIAL LEAVE ACCRUAL (SLA):

Definition – SLA authorizes soldiers to carry forward up to 90 days of leave (60 normal accrual days plus 30 additional days) at the end of a fiscal year (FY) if they are not allowed to take leave when on lengthy deployments or during periods of hostility. Categories include:

Cat I – Soldiers who served in an area authorized hostile fire pay (HFP) or imminent danger pay (IDP) for at least 120 continuous days. The first O5 in the chain of command approves the SLA IAW procedures attached to the October Unit Commander's Finance Report (UCFR) and forwards the necessary documentation to the local finance office for input.

Cat II – Soldiers who served in an area authorized HFP or IDP for less than 120 days or deployed for any length of time but did not received HFP or IDP (i.e., deployed to Hungary or Central Region). The first O6 in the chain of command endorses the commander's request and forwards it to 1st PERSCOM for approval. Once approved, 1st PERSCOM will forward thru 266th FINCOM to DFAS-IN for input.

Cat III – All other soldiers supporting an area (i.e., SFOR, KFOR) but did not deploy (from their permanent duty station) and were unable to take their excess leave due to mission support. The first O6 in the chain of command endorses the commander's memorandum of request and forwards it to 1st PERSCOM for approval. Once approved, 1st PERSCOM will forward thru 266th FINCOM to DFAS-IN for input.



DEPLOYMENT READINESS

PAYMENT OF UNUSED LEAVE:

RC soldiers performing duties on a contingency operation performing duty for more than 30 days, accrue leave at the rate of 1/2 day for every six days of duty or 2.5 days leave per month. Many soldiers are authorized to take leave while on this tour of active duty. Remaining days of accrued leave may be cashed in when out-processing at the demobilization sites. The 60-day limitation for payment of accrued leave does not apply to reserve component soldiers while serving on active duty in support of a contingency operation. It is important that leave forms are tracked and reviewed prior to the soldier's request for an accrued leave payment.

COMBAT ZONE TAX EXCLUSION (CZTE):

Personnel who serve in a combat zone (CZ - designated by the President in an Executive Order) or qualified hazardous duty area (QHDA - designated by Congress through legislation) can exclude certain pay from their taxable income. For example, if you are an enlisted soldier, warrant officer, or commissioned warrant officer and you serve in a CZ or QHDA during any part of a month, all of your military pay for that month is excluded from your taxable income.

If you are a commissioned officer (other than a commissioned warrant officer) and you serve in a CZ or QHDA during any part of a month, the amount of your exclusion is limited to the "maximum enlisted amount." The "maximum enlisted amount" means the rate of basic pay for the highest enlisted grade, plus the amount of imminent danger or hostile fire pay you received, for the month you served in a CZ or QHDA. Example: the maximum excludable amount for an officer who serves in a CZ or QHDA for 2002 is \$5,532.90 (\$5,382.60 basic pay for the Sergeant Major of the Army, plus \$150 imminent danger/hostile fire pay)."



DEPLOYMENT READINESS

SAVINGS DEPOSIT PROGRAM (SDP):

The Department of Defense savings program is for service members to deposit up to \$10,000.00 and earn interest at 10% per annum, compounded quarterly.

Eligibility – All service members participating in KFOR/SFOR area of responsibility. Service members must be on active duty and either have served at least 30 consecutive days in the AOR and contemplating duty for more than 90 days or have served at least one day in each of three consecutive months in the AOR.

Deposit Amounts – Participants may deposit up to their unallotted pay and allowances each month, not to exceed \$10,000.00 total balance. Although accrued interest may cause the overall balance to exceed \$10,000.00, interest is only earned on amounts up to \$10,000.00.

Regular Army Personnel may participate by submitting a completed DD Form 2558 (Authorization to Start, Stop or Change an Allotment for Active Duty or Retired Personnel). Check "other" and specify "SDP" in block 10 of the form. Specify the monthly amount of the allotment (must be in increments of \$5.00) through the PAC to the local finance office.



266th Finance Command

DEPLOYMENT READINESS

SAVINGS DEPOSIT PROGRAM (SDP):

Additionally, Active Duty soldiers may deposit cash or check at the local finance office cashier window in an amount up to the monthly unallotted pay. Finance will provide a copy of the cash collection voucher to the soldier, which acts as a receipt of the deposit.

Reserve Component Personnel may participate by depositing cash at the local finance office cashier window.

Stop Date – Eligibility for deposits stops the day the participant permanently departs the AOR. However, interest may continue to accrue up to 90 days beyond departure. If the 90th day fall on any day other than the last day of a month, interest will accrue through the last day of the preceding month.

Withdrawals – Regular Army participants submit a written request to the Defense Finance and Accounting Service – Cleveland Center (DFAS-CL), ATTN: Code FMCS, 1240 East 9th Street, Cleveland, OH 44199-2055.

Include name, social security number, redeployment date, and when the payment is desired. If the payment is going to a financial institution, include the account number and the routing indicator number. Also, state the reason for the withdrawal (i.e., to close out the account balance because my 90 days after eligibility to deposit is over).



266th Finance Command

Finance Initiatives

1. 2002 Pay Tables
2. Family Subsistence Supplemental Allowance
3. Thrift Savings Plan (TSP)
4. Employee Member Self Service (E/MSS)
5. Inter-Active Voice Response System (IVRS)
6. 529 Education Plan: Pre-paid & Savings
7. Education IRA



ON POINT FOR THE NATION



266th Finance Command



FIRST IN FINANCE SUPPORT

FINANCE INITIATIVES - FSSA

The Family Subsistence Supplemental Allowance (FSSA) program is designed to remove the soldier's household from eligibility for benefits under the food stamp program. FSSA is a non-taxable supplemental subsistence allowance and the program is effective 1 May 2001. Entitlement authority expires 30 September 2006.

To apply for this program, contact your local ACS office to find out if you meet the eligibility requirements. You must complete a DA 4187 and have the first field grade officer in your chain of command sign. Next, you will submit the completed, signed DA 4187 to the finance office.

FSSA income may jeopardize a household's participation in certain programs where eligibility is based on income, such as: subsidized school lunch programs, the Women, Infant, and Children (WIC) Program, day care programs, and earned income tax credit (EITC).

If your pay increases more than \$100.00, FSSA will automatically stop and you must reapply.



****Visit you local ACS Office for eligibility requirements****



266th Finance Command



FINANCE INITIATIVES - TSP



TSP is a retirement savings and investment plan that has been available to civilian employees of the Federal government since 1987. Now, it is offered to service members to provide retirement income. It offers some of the same type of savings and tax benefits that many private corporations offer their employees under so-called “401(k) plans.”

Participation in the TSP is optional and not automatic. Service members must sign up to participate in the TSP. Service members contribute to the TSP from their pay on a pre-tax basis, and the amount contributed and any earnings generated belong to the service member.

The TSP is designed to allow active duty members and members of the Ready Reserve or National Guard to save a part of their military pay for retirement in a plan that offers pre-tax savings, tax-deferred investment earnings, and low administrative and investment expenses.

Only pay for active service (e.g., basic pay, incentive pay, special pay, and bonuses) can be contributed to the TSP. Once a TSP account is established, the service member will receive an introductory letter and a personal identification number (PIN). Upon receipt of the PIN, the participant will be able to make a contribution allocation to any of the following investment funds.

Soldiers who do not enroll during the initial period will have two open seasons per year to enroll thereafter. Soldiers can elect to start or change their elections during open seasons held each year on 15 May - 31 July or 15 November - 31 January.





FINANCE INITIATIVES - TSP



A soldier's election is subject to a maximum contribution limit. The maximum amount a soldier contributes may not exceed 7% of basic pay (or compensation received under Title 37, United States Code, section 206) for any pay period in 2002, but may be increased in accordance with the following table:

Pay period	contribution limit
2002	7 percent
2003	8 percent
2004	9 percent
2005	10 percent
2006 and after	unlimited



**TSP Features
for Uniformed Services**

Matching contributions. The law provides for matching funds in limited instances at the discretion of the service secretary. There are also provisions for special retention incentives in the form of matching funds. At this time, the Secretary of the Army has not identified any critical specialties to receive matching funds. When these decisions are made, they will be announced by separate correspondence.

The **Deputy Chief of Staff, Personnel and Installation Management (DCSPIM)**, AEAGA-MP is responsible for USAREUR TSP policy. AEAGA-MP will coordinate with other USAREUR agencies that have implementation responsibilities to ensure resolution of any policy issues that may prevent timely TSP implementation. For more information about the program, click on: <http://www.tsp.gov/>





FINANCE INITIATIVES - TSP



REASONS FOR JOINING TSP?

- ‘*Retirement*’ oriented – 59.5 years and after use
- Pre-tax contributions – 7% NTE \$11,000,
- 5 investment options
- Compliments traditional military retirement pay
- **Tax Deferred**

Example: An E-5 earning \$1,700 per month invests 4% of base pay - this equals about \$68 per month or \$816.00 annually.

The \$816.00 would be taxable if they were not enrolled in the TSP. By enrolling in TSP, this money would not be taxed until withdrawal and equals \$120.00 a year less in taxes at the 15% tax bracket.*

*According to the IRS, married people earning less than \$4,033 per month and singles earning less than \$2,321, fall into the 15% tax bracket.





FINANCE INITIATIVES - TSP



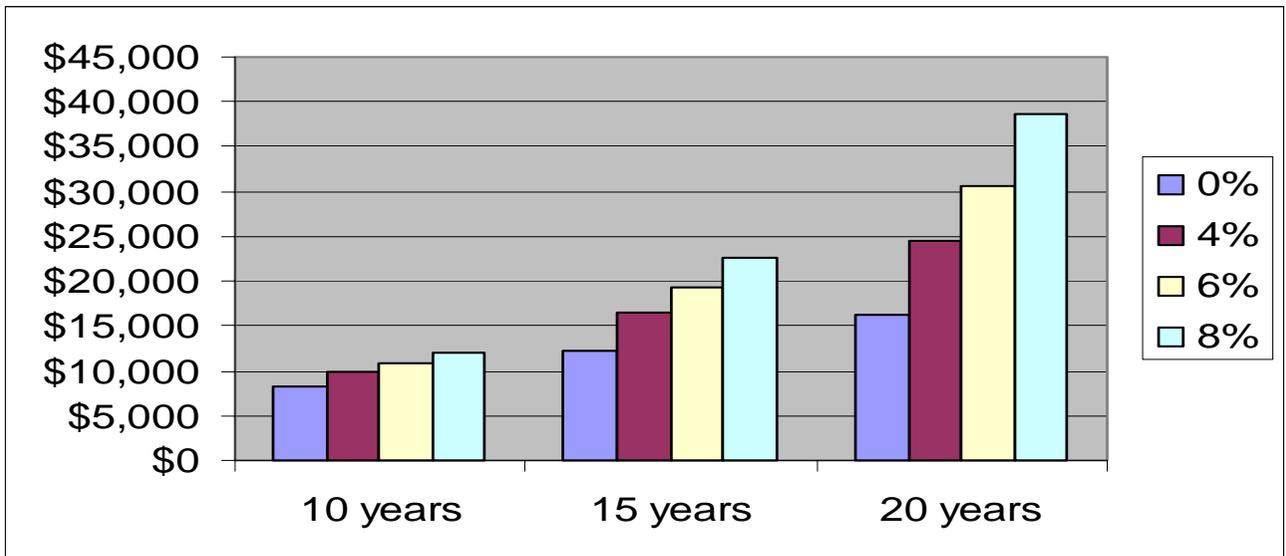
THOUGH THE YEARS . . .

E-5 continues to save \$68 a month without ever raising the amount due to promotions or annual pay raises:

Behold the **POWER** of Compounding

	0%	4%	6%	8%
10 years	\$8,160	\$9,831	\$10,841	\$11,991
15 years	\$12,240	\$16,430	\$19,238	\$22,680
20 years	\$16,320	\$24,487	\$30,564	\$38,606

***** Bottom Line** – The TSP is a great investment program for all ranks and even minimum input can **Maximize** your quality of life during retirement !!



*For more information about the 5 different TSP funds to include their performance over the years, access: <http://www.tsp.gov>





**If you think you cannot afford TSP,
you make more money than you realize!**



Rank	Basic Pay	BAS	OHA (Housing)	COLA	Tax Benefits (approx.)	Medical and Dental Benefits	Civilian Equivalent Salary 2001
CPT	46,508	1,996	12,730	2,552	5,850	2,400	\$71,227
SSG	25,409	2,900	11,035	1,904	5,350	2,400	\$48,790
SPC	20,164	2,900	9,907	1,728	4,800	2,400	\$41,712

Assumptions/factors used in this chart:

- All three soldiers are married with two children.
- The Captain and Staff Sergeant have 6 years of service, and the Specialist has 4 years of service, uses 2002 pay entitlements.
- Housing and COLA rates are based on Heidelberg, Germany.
- The Housing rate uses the maximum entitlement (ceiling rate). Soldiers living in government quarters are considered to be receiving the value of this benefit.
- “Tax Benefits” arise from the fact that BAS, OHA, and COLA are non-taxable. A non-military salary would require an additional amount equal to this number (Tax Benefits) to provide the same after-tax income.
- “Medical and Dental Benefits” is a conservative estimate of premiums for similar medical/dental coverage for a family of four.

***Consider your future!
It Pays to Invest and Stay Army!***



FINANCE INITIATIVES – E/MSS

Employee Member Self Service(E/MSS) is an initiative sponsored by the Defense Finance and Accounting Service to provide more responsive service to our payroll customers. E/MSS offers additional features over existing IVR Systems which only allow you to query information.

E/MSS gives you the ability to process transactions through a combination of Internet/Web or Interactive Voice Response (IVR) Technology. *E/MSS allows you to:*

- **Change your Federal tax withholding information.**
- **Update account number or change your Electronic Fund Transfer (EFT) address.**
- **Elect and Change Thrift Savings Plan (Military).**
- **View/print your leave and earnings statement.**
- **Check travel payments.**



Future Changes will allow you to:

- Change Your State Tax withholding information
- Start and Update Bond Information
- Start, stop or change your financial institution allotments

To receive or reset PIN, access <http://emss.dfas.mil>



FINANCE INITIATIVES – IVRS

Using the automated Interactive Voice Response System, or IVRS, service members can now access pay information from the master military pay account 24 hours a day, seven days a week. A service member simply calls the IVRS at DSN 699-0299 or Commercial (317) 510-0299.

The system goes through a series of questions that enable the caller to establish a secure, confidential personal identification number, or PIN. The PIN is known only to the caller and is required to access pay data each time that service member places a call.

Once the PIN is validated, the service member can access pay information regarding current pay checks, current allotments, bonds, W2s and tax information, leave balance and most recent transactions affecting leave balance.

While IVRS is a convenient, easy way to obtain pay information, service members are encouraged to first contact their finance office as the primary channel for resolving pay issues and obtaining information.

Currently, IVRS is accessible only to active duty service members. Reservists, National Guard members, and separates seeking pay information are encouraged to call the customer service line at DSN 699-2800 or Commercial (317) 510-2800.



FINANCE INITIATIVES – 529 PLAN

The 529 Education Plan is an investment plan operated by states designed to help families save for future college costs. Every state has made this commitment, although a few are not yet up and in operation.

There are two general types of 529 plans: prepaid programs and savings programs. **Prepaid plans** allows you to pay today's tuition rate and avoid the inflated tuition price once the child is old enough to attend. The states offering prepaid tuition contracts covering in-state tuition will allow you to transfer the value of your contract to private and out-of-state schools (although you may not get full value depending on the particular state).

The **savings program** allows you to start investing in your child's future school expenses now with many tax breaks. If you decide to use a 529 savings program, the full value of your account can be used at any accredited college or university in the country (along with some foreign institutions). The 529 savings account is treated as an asset of the parent or other account owner in determining eligibility for federal financial aid.

This means your expected contribution towards your child's college costs will include 5.6%, or less, of the value of your account for each academic year. This is much better than the 35% assessment against assets owned in your child's name or in a custodial account .

For more information, check www.savingforcollege.com



FINANCE INITIATIVES – 529 PLAN EXAMPLE OF PRE-PAID

Second Grade Projected College Enrollment - 2012

Plan Type	Lump-Sum Payment Plan	Monthly Payment Plan	Five-Year (55-Month) Payment Plan
Tuition Plans			
4-Year University Tuition Plan	\$7,695	\$85	\$163
2+2 Tuition Plan	\$6,086	\$67	\$129
2-Year Community College Tuition Plan	\$2,285	\$26	\$49

Fourth Grade Projected College Enrollment - 2010

4-Year University Tuition Plan	\$7,726	\$99	\$163
2+2 Tuition Plan	\$6,199	\$80	\$131
2-Year Community College Tuition Plan	\$2,380	\$31	\$51

** Example: Based on the state of Florida



Advantages of the 529 Savings Education Plan

- Investment grows tax-free for as long as your money stays in the plan. When the plan makes a distribution to pay for the beneficiary's college costs, the distribution is federal tax-free as well. This treatment applies for distributions in the years 2002 through 2010.
- The donor stays in control of the account and with few exceptions, the named beneficiary has no rights to the funds. You are the one who calls the shots and decide when withdrawals are taken and for what purpose.
- 529 plan provides a easy hands-off way to save for college. Once you decide which 529 plan to use, you complete a simple enrollment form and make your contribution (or sign up for automatic deposits). Then you can relax and forget about it if you like. The ongoing investment of your account is handled by the plan, not by you.
- Everyone is eligible to take advantage of a 529 plan, and the amounts you can put in are substantial (over **\$200,000** per beneficiary in many state plans). Generally, there are no income limitations or age restrictions.



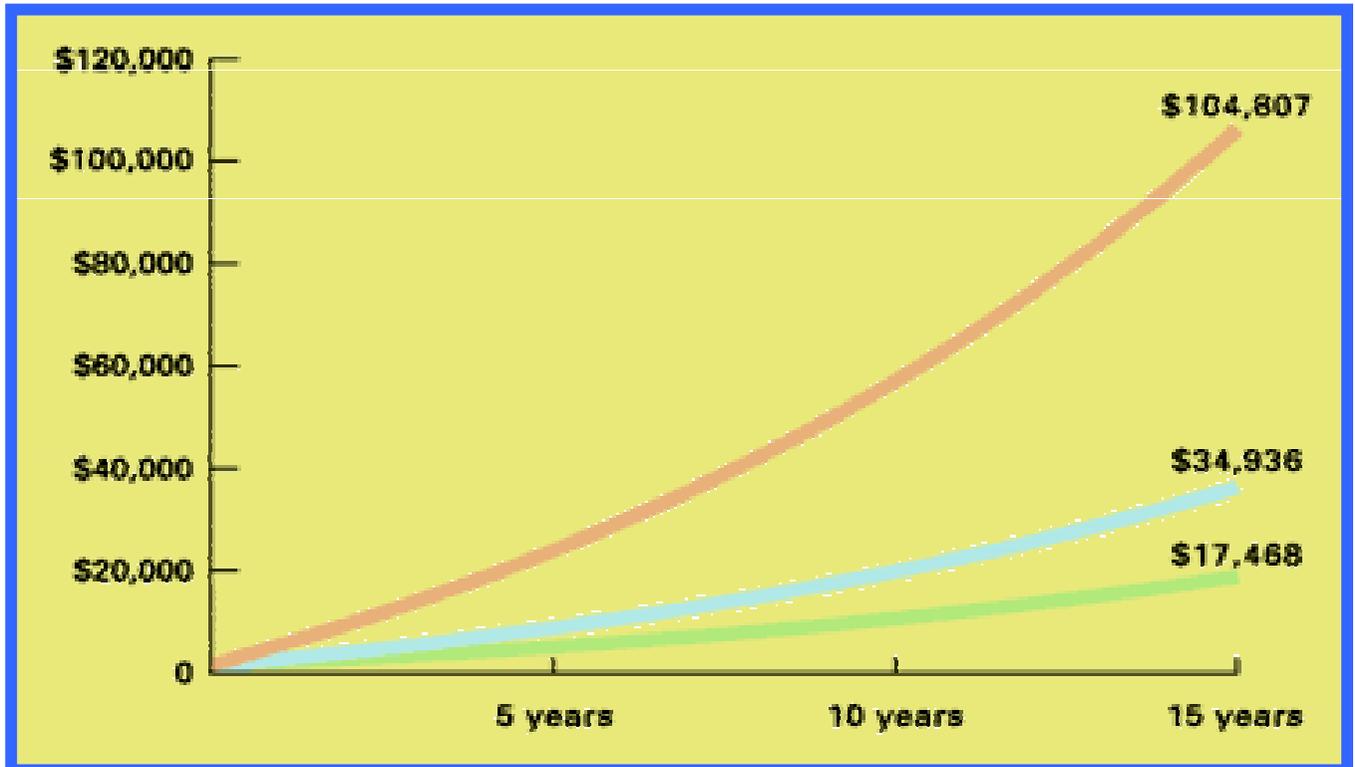
FINANCE INITIATIVES – 529 PLAN EXAMPLE OF SAVINGS PLAN

Your investment can be used at
virtually any school

■ \$50/MO

■ \$100/MO

■ \$300/MO



*Your investment can be used to pay for tuition, fees, room and board, books and required supplies and equipment at eligible schools nationwide — whether it's a public or private college, university, graduate school, community college or vocational school.

**This table represents the growth of hypothetical investments using an 8% annual rate of return and is for illustrative purposes only. Please note this chart does not take into account tax considerations.



266th Finance Command

FINANCE INITIATIVES – EDUCATION IRA PLAN

An Education IRA is a custodial account in which the child owns the money but a parent or legal guardian manages the account. The account is exclusively for the purpose of paying the child's education expenses. The child will not owe tax on any distributions for qualified education expenses.

It's important to note, however, that assets accumulated in an Education IRA may affect a student's ability to qualify for financial aid or limit the availability of certain tax credits. It is good idea to talk to a tax adviser before establishing one of these accounts.

For tax year 2002, the maximum annual contribution is \$2,000 if you make under \$95,000 or less (single) and under \$190,000 (if married). Contributions are not tax-deductible, but qualified distributions may be tax and penalty-free.

Tax Advantages

- Contributions can be withdrawn at any time, for any reason, without tax or penalty. Dividends, interest and capital gains accumulate on a tax-deferred and potentially tax-free basis.
- Earnings are not subject to tax until distributed and may not be taxed for federal income tax purposes if used for qualified education expenses.



FINANCE INITIATIVES – GOVERNMENT TRAVEL CHARGE CARD (GTCC)

The Travel and Transportation Reform Act of 1998 (Public Law 105-264) mandates the use of the GTCC for soldiers and civilians on official government business.

The card may only be used for reimbursable expenses associated with official TDY travel. Card misuse reported to commanders is subject to disciplinary action.

The use of Split Disbursement to settle travel charges avoids risk of an account aging to a delinquent account. While on long term TDY, file accrual vouchers every 30 days and indicate payment to the bank through split disbursement on Block 1 of DD Form 1351-2. Fax these to your servicing Finance Office for processing.

Send full remittance to Bank of America as soon as bill is received. In case of misplaced bills, send payment to Bank of America, P.O. Box 53139, Phoenix, Arizona 85072-3139.

For 24 hour assistance contact Bank of America Technical Help Desk at 1-800-472-1424 (dial 99-0-800-2255-288 first to get an AT&T operator).

Contact your Agency Program Coordinator to establish a user password to access Bank of America website regarding information on your personal account online.



FINANCE INITIATIVES – LONG TERM CARE INSURANCE PROGRAM (LTCIP)

Long Term Care Insurance Program is a Congressionally mandated program established to provide Long Term Care (LTC) Insurance for Federal employees including Military members and their families.

The first premium deduction from pay was available 1 October 2002 for Military members. LTC Insurance is not Government Insurance. It is Private LTC Insurance offered to DoD Civilians and Military members and their dependents by the Office of Personnel Management (OPM) and their Partners, (which consists of John Hancock and Metropolitan Life). Procedures for enrollment, eligibility, and premium billing options are available from LTC Partners. LTC Insurance does not cover medical expenses or medicines.

LTC Insurance helps people with chronic health conditions to pay caregivers and services that help them do such things as get out of bed, wash, dress, eat, and other activities that the ill and frail find difficult, according to OPM. LTC may be provided at home, in a nursing home or in an assisted living facility.

For questions or new enrollment, call Long Term Care Partners at 1-800-582-3337 or go to their website at: <http://www.ltcfeds.com>.



EDUCATIONAL PROGRAMS ON PERSONAL FINANCIAL AFFAIRS – DISCLAIMER

Use of non-governmental organizations to fulfill this requirement is limited by this policy. Representatives of and materials provided by credit unions and banks located on military installations may be used to provide the educational programs and information required by this policy, subject to the following conditions:

- All prospective educators must agree to use appropriate disclaimers in their presentation and on their materials clearly indicating that they do not endorse or favor any commercial supplier, product or service.
- If the organization has any affiliation with a company that sells or markets insurance or other financial products, the approval authority shall consider that company's history of complying with DoD Directive 1344.7.
- All presentations and educational materials must include appropriate disclaimers clearly indicating that the Department of Defense does not endorse or favor any commercial service.
- Presentations shall be conducted only at the express request of the installation commander.

Under no circumstances shall other commercial agents, including representatives of loan, finance, insurance or investment companies, be used to provide the educational programs and information required by this policy. **Exceptions outlined in section 501(C) (23) of Title 26, United States Code, or by any organization providing such a benefit pursuant to a contract with the government.*



NOTES

- New changes to finance policies and regulations will be reflected on our military website @ <https://www.266fc.hqusareur.army.mil> or our Public affairs site @ <http://266fincom1.hqusareur.army.mil>
- For further information, contact Finance Policy at the 266th FINCOM, DSN 379-7587 or AEUFC-FAPD@266fc.heidelberg.army.mil





THE 266TH FINCOM



ON POINT FOR THE NATION



FIRST IN FINANCE SUPPORT



The Army's Premier
Financial Management Community