

Transcript - Taking Control of Your Cash Podcast

This is Dave Julian. I'm the director of the OSD Office of Personal Finance. My office at the Department of Defense is responsible for the financial education and literacy of all troops and families. It's great that we're talking about single service members and finances today because, rightfully so, we devote a lot of resources and a lot of attention to our married service members—and again, for all the right reasons—but we can't forget about our single service members. They're basically half the force and they have some unique challenges being single.

First and foremost, our young single service members may not have all the financial tools to begin with to make wise financial decisions in all cases. As a country we don't have a very robust financial education curriculum in our schools. So, many times the folks coming into the military may not have been exposed to the right financial education or the right financial behaviors. So that's why the military takes it seriously to provide this type of education to take advantage of.

The things to keep in mind are—and get this in early—is to have a plan. Something that will help you manage your money. You know, for many single service members, they're getting a paycheck, a steady paycheck, for the first time. So, it's important to do the right things with it. Things like paying yourself first, meaning, every month when you get your paycheck, treat paying into savings like you would a bill—something that you've got to do, you do automatically, and you won't miss it. And making sure you're saving for both short-term and long-term goals. And again, all of this folds into a financial plan that they can start by sitting down with a personal financial manager at their installation if they're near one. Or they can even call Military OneSource to talk with a financial consultant to get them started on a spending plan. We don't say "budget" for the most part anymore because people don't get excited about the word "budget," just like they don't get excited about the word "diet." But people get excited about the words "spending plan" and "eating plan" so we like to call it a "spending plan." That kind of plan will allow them to see exactly how much money they have coming in and where it needs to go. And it also takes into account saving for both emergencies and long-term goals. Especially when service members are young, that's the best time to invest. They've got time on their side. So, if you get involved with certain savings vehicles that we have available through the military, like the Thrift Savings Plan, or if they're deployers, the Savings Deposit Program, when you're young, you have such an advantage over someone who starts later. If you're 18 or 19 you've got such an advantage over someone who's starting to invest at 29 or 30. So, that's what we're trying to emphasize there.

We take financial education very seriously in the military, which is why we have many, many resources available. I've already talked to the fact that you can go to your family center and talk to a personal financial manager, who is that expert on that base, for educational purposes. And they can even provide counseling for any issue under the sun. But again, you can also call Military OneSource and talk to a financial consultant. Both of those avenues are free of charge. And one of our great military benefits is that you do have access to these types of resources. To start with, you can go on the Defense.gov website anytime and look up the basic pay tables, so you'll always know what your base pay is. For active duty, see: militarypay.defense.gov/Pay/Basic-Pay/Active-Duty-Pay, and for the reserves, see: militarypay.defense.gov/Pay/Basic-Pay/Reserve-Drill-Pay.

Also, understanding military pay is sometimes a challenge for single service members because they haven't seen a Leave and Earnings Statement until they came in the military. Sometimes those can be somewhat confusing. But luckily

there are a lot of resources that can help them understand what the LES says and the type of information contained inside it. You can go to your military service's Web site. Chances are in the financial section they've got tutorials or resources there to help you understand what's on an LES. You can go to the DFAS myPay Web site, which I'm sure all service members know how to get to, and there's a tutorial there about how to understand what the different parts of an LES are. And again, what's important about that is, it tells you what your pay is per month, what all your deductions are due to taxes or allotments you've got, and it also can tell you what your leave balance is, which is very important. And one thing that all service members hear from day one, is that their pay is their responsibility. So if they see any kind of discrepancy or any kind of problems, or things that just don't look right, they should take that LES to their personal office or their disbursing office to get it taken care of. And again, that's their responsibility.

Another key thing that all service members, and maybe especially single service members need to understand is that in conjunction with deployment, their pay will change. They'll most likely if they're going to a combat zone they will get imminent danger pay. They will get combat tax exclusion benefits, which basically means their entire military paycheck will be tax free. So, many service members will see a step increase in their pay when they deploy. They need to understand what those changes will be and when they'll kick in. Try not to increase your spending habits to accommodate the increase in money you've got. It's much harder to ramp down spending than it is to ramp up spending.

Also, single service members have the unique challenge that when they deploy or when they go off on a mission away from home base, they have to make sure their stuff is taken care of—their car, their boat if they have one, their house, if they've got one. They may want to look into things like online bill pay. That allows you to monitor your finances remotely. And if you're actually in theater, too, you can even set up automatic bill-pay online, which, if you have a plan, you can actually see how much money you've got going and automatically set up payments so your bills are taken care of sort of sight unseen and hands off.

Attend any and all predeployment briefings that your unit, that your base offers because they will bring all the experts in that you need to talk to, including the personal financial managers, including the legal services offices and all the other folks for one-stop shopping in getting all those predeployment preps taken care of.

Now, pitfalls and traps to avoid. Our single service members are for the most part, they're young, they're getting that steady paycheck for the first time, possibly, there is a temptation. You see it in the media every day, you know, you've got to have stuff. You've got to live the life, you've got to basically have a certain persona, and that's represented by what you have. Now, we've got to resist that. Our service members are too important to us, their jobs are too important, and that's why we have educational programs to help them understand good financial behavior. I'm not saying that service members don't have the right to enjoy their money. Of course they do. They've worked very hard for it. They have the right to spend it. It's their money. All we're talking about is making sure they spend it the right way and wisely. If you're going to buy a car, make sure you researched it. Make sure you've done the research and you understand and you've cost compared. You got the best loan you can, you read the contract over very closely, maybe you had

some assistance, you've taken it to your chain of command, you've taken it to the legal services office. They looked it over to make sure it's okay. Service members have so many resources at their disposal to make sure they make wise financial decisions until they get those skills built up themselves.

The resources that are available to single service members, and to all service members are, well, first of all, their chain of command. Their chain of command is there to support them. So, if there are any issues at all, they can consult their chain who can make referrals or just basically take on the issue and work it at that level. They can go on their military installation to their family center and talk to their personal financial manager, again, for counseling, for resources and referrals on any issue under the sun. If they have a question on how to buy a car, insurance essentials, how to understand a credit report, their personal financial manager can help. And of course, if they can't make it to the installation, or they're not near an installation to talk to the personal financial manager, they can always call Military OneSource, which has a whole host of resources. If they call Military OneSource, the number is 1-800-342-9647, they can call it 24/7/365, they'll always talk to a person and be connected to the resources they need. If it's easier for them to go online, they can go to www.MilitaryOneSource.com. There are podcasts, there are DVDs, there are CDs, there are calculators they can research and use, there are articles, again on any issue under the sun, on any question they may have financially.

So, those are the resources, and again, the message for single service members, is, hey, you're young, you're just starting out, start those good financial habits early so they can start working for you. The military has a saying that the personal financial management of service members equates to mission readiness. The military wants their service members and families to be successful, so they want to provide them resources that they can take advantage of to be just that, a success.