

Better Money Habits®

Military Families Transitioning to Civilian Life

Building healthy financial habits is important for everyone, but research shows that navigating the significant differences between military and civilian finances is challenging.

63% of reservists and National Guard members feel financially insecure

65% of reservists and National Guard members live paycheck to paycheck



What you'll learn

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1

Navigating the
transition

2

Managing household
finances

3

Managing debt

4

Buying a home

5

Teaching better money
habits to kids



Navigating the transition

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What you need to know

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1

Difference between
military and civilian pay

2

How
taxes work

3

Where to get
health insurance

4

Your
VA benefits



Difference between military and civilian pay

1. Your take-home pay may be less than you expected.
2. Much more of your paycheck will be taxed.
3. You'll have to compensate for allowances you no longer receive.
4. You'll pay for health care coverage.
5. You may be able to negotiate salary.



How taxes work

- Taxes are likely to be higher.
- Location is important.
- You may qualify for tax breaks and benefits.
- Some jobs offer perks.
- The usual deadline for filing is April 15.



Where to get health insurance

TRICARE	Civilian plans	Veterans Health Administration (VHA)
<ul style="list-style-type: none">• Available to those retiring from the military• National Guard members may be eligible• Continued Health Care Benefit Program (CHCBP)• Transitional Assistance Management Program (TAMP)	<ul style="list-style-type: none">• Employer-sponsored health care• State health care exchange	<p>Veterans Health Administration (VHA) is not insurance but does offer care.</p>



Education

- Post-9/11 GI Bill
- Montgomery GI Bill
- Veterans' Educational Assistance Program
- Reserve Educational Assistance Program
- Veteran Readiness and Employment program

Home loans

- VA loans
- FHA loans
- FHA 203(k) loans
- Other government loans

To learn more, go to benefits.va.gov/gibill or benefits.va.gov/homeloans



Key takeaways

1

Take-home pay may be less than you expect based on various mandatory deductions, such as taxes, and voluntary deductions, such as savings.

2

Taxes are likely to be higher than what you expect, and the mandatory filing deadline is usually April 15.

3

Depending on your circumstances, TRICARE may be available.

4

You may get health insurance through your employer or through a state exchange.

5

There are a variety of educational and lending benefits available through the VA, including GI Bill and VA loans.



Managing household finances

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What you need to know

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1

Talk to
your spouse.

2

Establish an
emergency fund.

3

Define the
long-term plan.

4

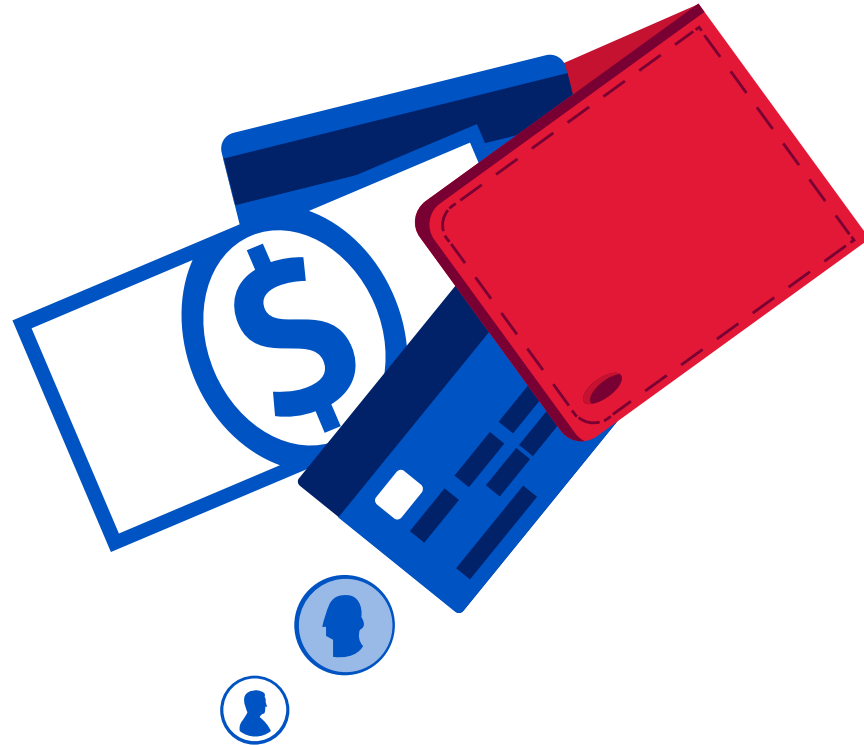
Plan the
short-term goals.



Step 1: Talk to your spouse

Honesty and cooperation are key. There's no one right approach.

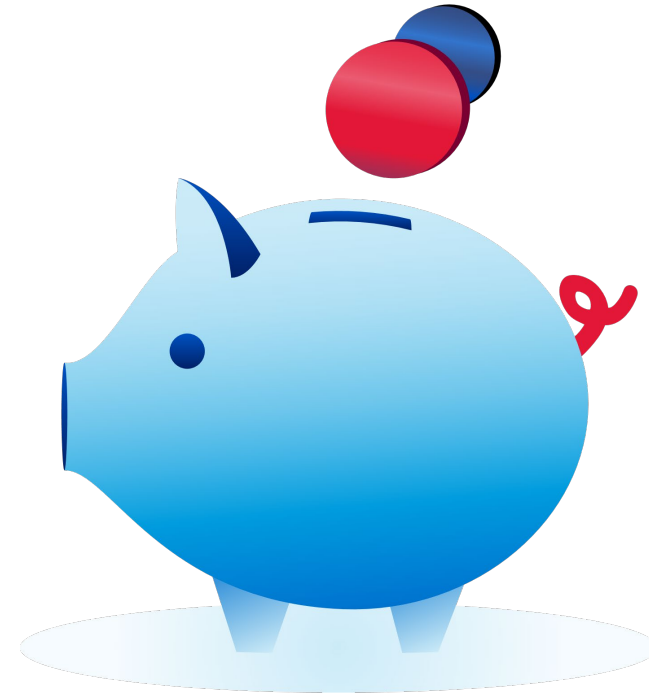
1. Talk about current finances.
2. Consider shared expenses.
3. Identify debts.
4. Define financial goals.
5. Decide where to cut spending.
6. Set dates to review spending and progress.



Step 2: Establish an emergency fund

What is it and why is it important?

- Life can be unexpected, but bills must get paid.
- Avoid getting into debt to deal with emergencies.
- Try to save for three months of expenses.
- Account must be stable and accessible.



Step 2: Establish an emergency fund *(continued)*

How do you do it?

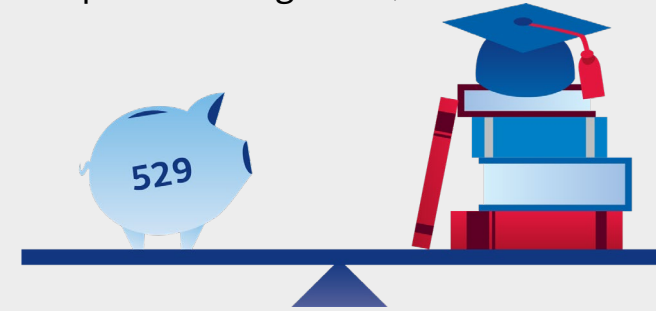
- **Take it day by day:** Pick a realistic number and start today.
- **Pick something and cut it:** Find one or two specific things to cut.
- **Use automated features:** Set up automatic transfers.
- **Don't let debt get in the way:** If your debt is manageable, consider allotting funds to both debt and savings.
- **Keep your funds accessible:** Create a separate savings account.
- **Add money each month:** Steadily increase the balance until you have enough to cover three to six months of expenses.



Step 3: Define the long-term plan

1. Put retirement savings before kids' education.
 - Fund your company retirement plan.
 - Student financial aid doesn't look at retirement savings.
2. Save for kids' college tuition (529 plans).
3. Tackle other long-term goals, like care for aging parents.

Average annual cost of tuition and fees
at a private college: \$41,540



Students have access to a wide variety of loans,
but there are no loans for retiring parents.

Source: College Board, 2023–2024

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Step 4: Plan the short-term goals

List five-year goals

- Vacations, new cars, home remodels, weddings
- Open separate savings accounts or sub-accounts
- Make weekly or monthly contributions

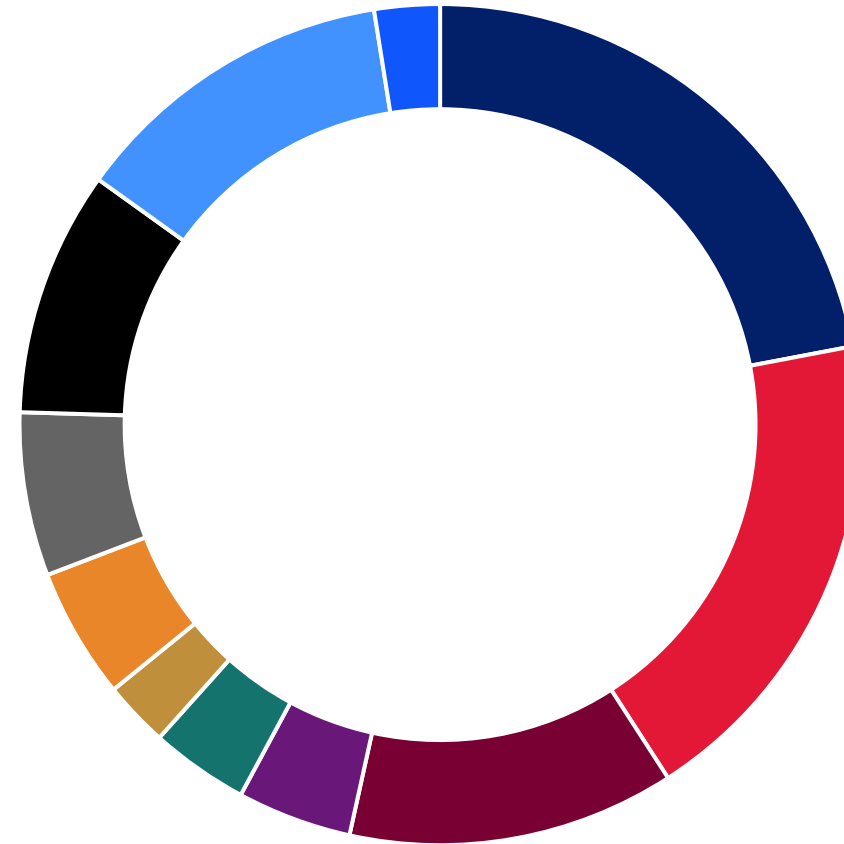
Get creative

- Have a garage sale
- Start a side hustle
- Prepare your meals instead of eating out
- After paying off car, redirect payments into savings



Example of a balanced budget

- Housing (20%–35%)
- Food (15%–30%)
- Transportation (6%–20%)
- Utilities (4%–7%)
- Insurance (4%–6%)
- Personal Care (2%–4%)
- Health (2%–8%)
- Clothing (3%–10%)
- Savings (5%–15%)
- Personal Debt (10%–20%)
- Misc. (1%–4%)



1

Open and honest communication is key to good household financial management.

2

Establishing an emergency fund is an important first step.

3

Save money by prioritizing and cutting unnecessary expenses, and don't let debt get in the way.

4

Define your long-term financial goals and outline a savings plan to get there.

5

Address shorter-term goals, outline a plan and find creative ways to save toward them.

Managing debt

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The slippery slope of credit card debt

If you're carrying credit card debt:

- Your credit score may go down.
- Home and car loans may cost more.
- Emergencies may be more expensive.
- Everyday spending may feel like a stretch.
- You may have less money for retirement.
- You may be giving up the fun stuff.

If you charge a \$1,000 car repair:

Payment	Total interest	Payoff time
		
\$50 monthly	\$133	Nearly 2 years

Steps to take control of your debt

1. Take stock of your financial picture.
2. Choose a strategy to reduce debts.
3. Start paying down your debts.
4. Monitor your credit report.
5. Get outside help.



Step 1: Take stock of your financial picture

- Sit down and review your finances together.
- Record each debt: who you owe, how much, interest rate.
- Determine your combined income.
- Calculate your monthly expenses.

Be aware that your interest rate may be higher on things such as credit card debt, now that you're out of the service.




Use a budgeting tool to record your financial picture.



Sample budgeting tool

Spending Plan Worksheet



Income	
Your take-home pay	\$
Additional household take-home pay	\$
Other	\$
Total income (sum of rows above)	\$

Spending category	Planned spending	Actual spending	Check if spent as planned
Expenses: Home and Utilities			
Mortgage or rent	\$	\$	<input type="checkbox"/>
Groceries	\$	\$	<input type="checkbox"/>
Electricity	\$	\$	<input type="checkbox"/>
Gas	\$	\$	<input type="checkbox"/>
Water	\$	\$	<input type="checkbox"/>
Cable/internet	\$	\$	<input type="checkbox"/>
Mobile phone	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Insurance and Financial			
Health insurance	\$	\$	<input type="checkbox"/>
Other insurance	\$	\$	<input type="checkbox"/>
Credit cards	\$	\$	<input type="checkbox"/>
Other loans	\$	\$	<input type="checkbox"/>
Savings	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Personal and Medical			
Medication (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Medical, dental and eye care costs (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Education	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Entertainment			
Restaurants	\$	\$	<input type="checkbox"/>
Movies and music	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Transportation and Auto			
Public transportation	\$	\$	<input type="checkbox"/>
Car expenses	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
Expenses: Other			
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
Total expenses (sum of all expenses)	\$	\$	<input type="checkbox"/>
Net savings or loss (subtract Total expenses from Total income)	\$	\$	



Step 2: Choose a strategy to reduce debts

Snowball method

Pay off lowest balance first.

For those who have trouble sticking to a plan
or need constant motivation

VS

High-rate method

Pay off highest rates first.

More efficient strategy but may be
harder to sustain



Strategies for
Paying Down Your Debt



Step 3: Start paying down your debts

- Revisit your budget to see how much you can put toward debt.
- Pay at least the minimum every month to protect your credit score.
- Calculate how much you can put toward your target bill.
- Find ways to cut back on spending.



Step 4: Monitor your credit report

View your credit report at AnnualCreditReport.com.

- You can see a breakdown of debt and payment history.
- A small fee may be required to view your credit score.

>700 Anything above 700
is more attractive
to lenders

<620 Anything under 620
could make it harder
to get a mortgage

Poor 300–579	Fair 580–669	Good 670–739	Very good 740–799	Exceptional 800–850
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Step 5: Get outside help

- Avoid payday loans or nontraditional lenders.
- The VA may be able to help with consolidation.
- Visit the National Foundation for Credit Counseling.
- For those eligible, Veterans' Group Life Insurance can provide help at [VA.gov](https://www.va.gov).
- The Consumer Financial Protection Bureau can help correct errors on your credit report.



1

Credit card debt can make buying a car or home harder, lower your credit score and have negative impacts on your financial circumstances.

2

Write down your income, expenses and debts to keep track of everything.

3

Choose a debt repayment strategy that works for you and chip away.

4

Your credit report is key to your financial future; make sure you periodically monitor it.

5

Use government and other support resources to help.

Buying a home



Consider your mortgage choices

VA loans are the most popular mortgage choice for veterans, but they aren't the only option.

- VA loans: benefits.va.gov/homeloans
- FHA loans: HUD.gov
- FHA 203(k) loans: HUD.gov
- Other government loans: govloans.gov or HUD.gov



Assistance programs



Local agencies and nonprofits



Employer programs



Mortgage tax credit certificates



Homebuyer education (HBE)

Eligibility for assistance may depend on:

- Type of mortgage
- Property location
- Steady source of income
- Savings for down payment
- Good credit

How VA home loans work

- They have specific eligibility requirements.
- Potential benefits include:
 - Lower interest rates
 - No down payment
 - No mortgage insurance required
- You'll need to pay the appraisal fee and funding fee.
- They can take longer to process than traditional mortgages.



[How VA Home Loans Work](#)

Visit benefits.va.gov/homeloans
for more information.



1

VA loans can offer lower interest rates, low or no down payment and no mortgage insurance required.

2

In addition to VA loans, there are other mortgage options available.

3

Determine which options and assistance programs you're eligible for.

4

Visit benefits.va.gov/homeloans for more information.

Teaching better money habits to kids

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Tips for teaching better money habits to kids

- Allowance can be a useful tool.
- Help them learn saving and budgeting skills.
- Teach them about credit cards.
- Look for teachable moments.

Be mindful of their age:
Don't treat a 10 year old like a 16 year old.

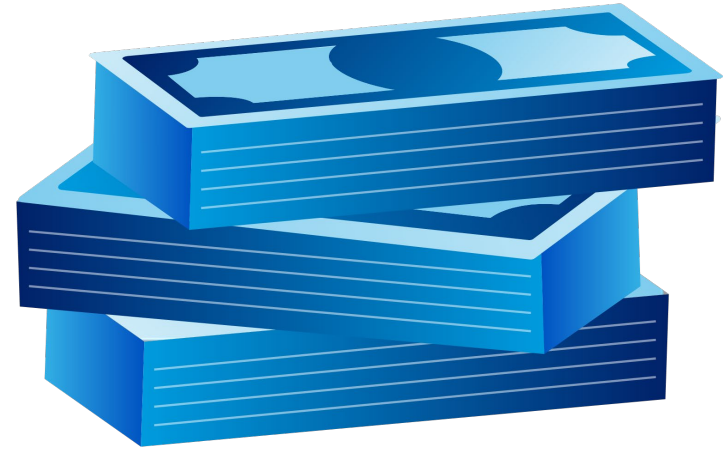


Military OneSource offers a wide range of individualized consultations, coaching and non-medical counseling for many aspects of military life.



Using allowance as a tool

- Paying an allowance can help your child learn good financial habits.
- A majority of parents require children to earn allowance by doing chores. Other choose to use it as a teaching tool.
- Either way, teaching children how to spend and save responsibly is a valuable life lesson.



Teaching saving and budgeting skills

- Many parents require their children to save part of their allowance.
- Their savings goals should be age-appropriate.

An exercise for children in elementary or middle school is the three little piggy banks. Kids split their allowance into three separate piggy banks:

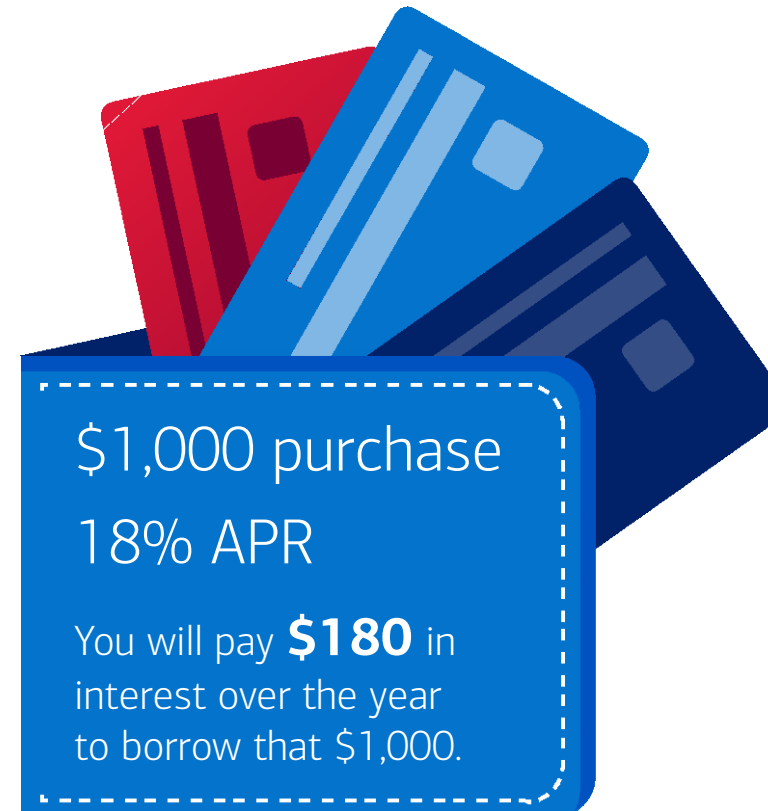


Teaching about credit cards

Assume that they don't understand how credit cards work.

Teaching topics:

- Not all debt is alike.
- Credit score matters — a lot.
- Today's choices impact their futures.



Elementary school

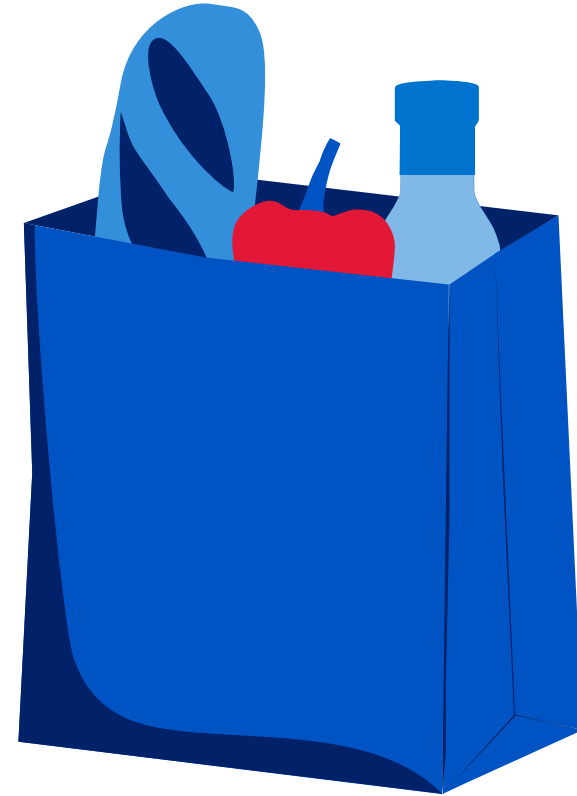
- Turn weekly shopping into a quest to save money.
- Manage a budget at a toy store.

Middle school

- Evaluate dine-in and -out implications.
- Track digital expenses.

High school

- Budget and prioritize clothes shopping.
- Manage cell phone budget.



1

Allowance can be a useful tool, but set clear expectations.

2

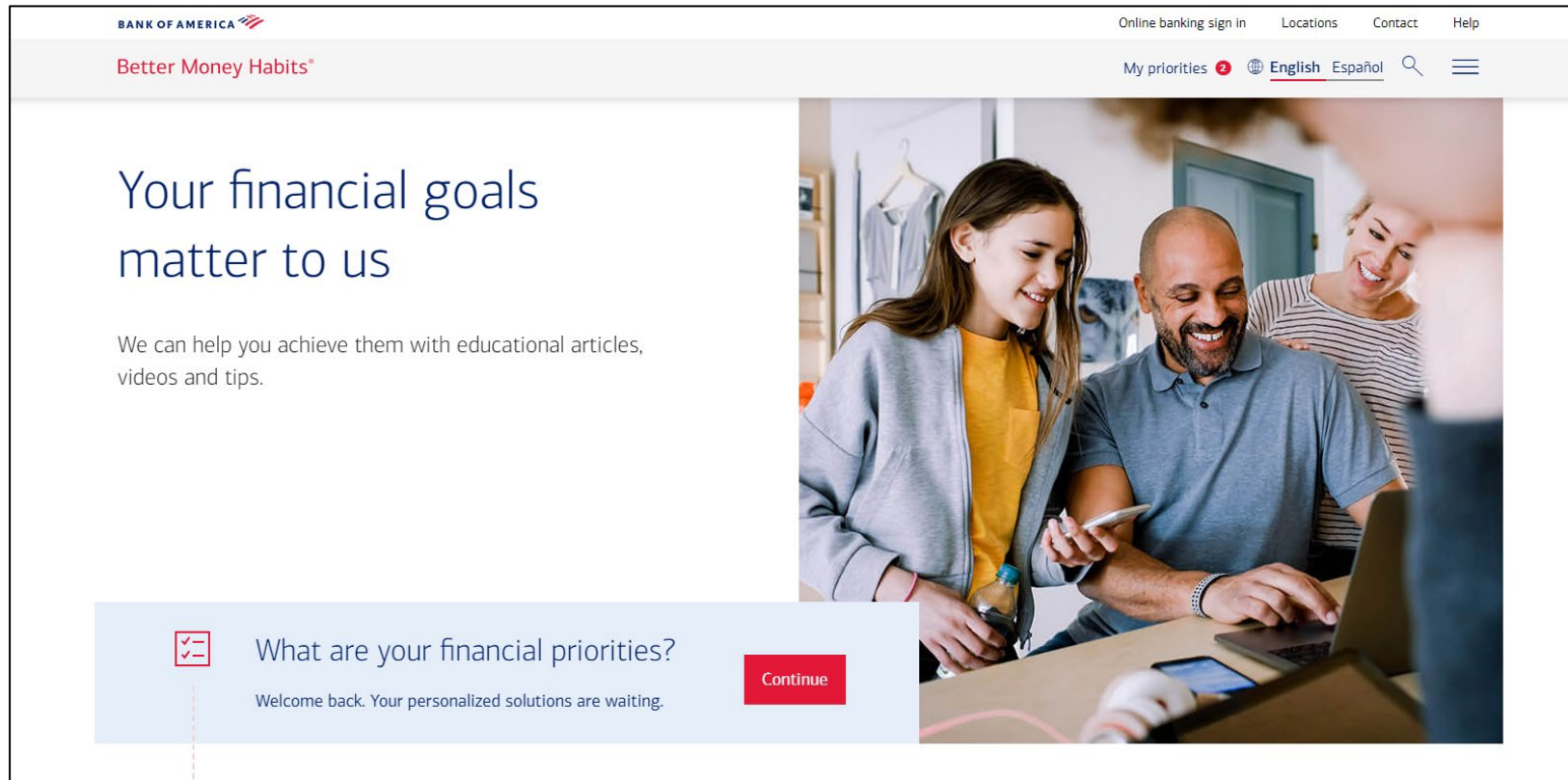
Encourage saving and budgeting early on.

3

Teach them about credit cards, interest rates and credit scores, and why they're important to their futures.

4

Look for age-appropriate, teachable moments in everyday life to reinforce better money habits.



BetterMoneyHabits.com

Thank you

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