

Military Pay Issues

Module Description

A sixty minute interactive program suitable for all audiences, designed to develop knowledge and skills that will inform participants of the full range of military compensation, focusing on pays and allowances, military tax issues, and survivor benefits as building blocks for the financial planning pyramid.

Materials

Pay and Allowances and Tax Tables – Available from www.dfas.gov or local NFSC

Sample Leave and Earnings Statement (LES)

Understanding Your LES Brochure

Quickly Accessing Your Information Brochure – Available from www.dfas.gov

Give Your Family a Gift of Love—A Dependent Allotment

Advance Pay Worksheet

State Income Tax Authorities

SBP Booklet – Available from local Navy Family Services Center

Federal W-4 Tax Form – recommended but not required

Note

Participants should bring their most current LES to this class, if available. The instructor should check the accuracy of this program content with the local disbursing office prior to presentation due to the constant changing of the information contained in this lesson. The current date is noted where specific amounts are given.

Local Information To Have Available:

- ◆ Command Financial Specialist Name
- ◆ Name and Phone Number for Disbursing/PSD/CSD
- ◆ Phone Number and Address for DFAS/CL
- ◆ Phone Number for Local VITA program, or Tax Information

Suggested Reading:

- ◆ Command Financial Specialist Training Manual, NAVPERS 1560.8C, Chapter C
- ◆ Annual Uniformed Services Almanac
- ◆ Fact Sheets from the National Military Family Association (NMFA)

Contact your local Personnel Support Detachment, Navy Family Service Center, or Navy/Marine Corps Relief Society for a current copy of the pay allowance scales.

Instructor References

CNO MSG 13155OZYUL91 (NAVADMIN 089/91)

Command Financial Specialist Training Manual, NAVPERS 1560.8C (or later)

General Military Training for E-1 to E-3, Naval Technical Training Command, Lesson Topics Guides, CNTT-MI390 Pay and Allowances (LES).

Gordon, Sol and Sharff, Lee E., 1999 Uniformed Services Almanac, Washington, D.C. Uniform Services Almanac, Inc., updated annually.

Handbook for Military Families, Navy Times, Annual supplement published each April.

Joint Federal Travel Regulations U8014

Navy-Marine Corps Relief Society Handbook, Arlington, Virginia: Navy-Marine Corps Relief Society, updated annually.

Navy Pay and Persman 40451

Pay and Allowances and Tax Tables, Updated annually.

SECNAVINST 7200.17D and SECNAVINST 7220.38E

SECNAVINST 1754.1, Family Service Center Program

OPNAV Instruction 1740.5A (Draft), Personal Financial Management Education, Training and Counseling Program

Relevant Websites:

(Lifelines) www.lifelines4qol.org

(DFAS) www.dfas.gov

Objectives

At the conclusion of this program participants will be able to:

- ◆ Demonstrate awareness of the importance of understanding pay and of monitoring the LES.
- ◆ Identify the financial planning pyramid.
- ◆ Demonstrate ability to read, understand and identify errors on the LES.
- ◆ Identify Military Pay, Military Allowances, Allotments, and Deductions.
- ◆ Recognize repayment options available for government debts.
- ◆ Describe how Navy members are paid.
- ◆ Identify the Split Pay Option (SPO).
- ◆ Demonstrate an understanding of the variables and advantages involved in ensuring the correct amount of Federal and State taxes are withheld.
- ◆ Recognize common pay problems and describe options to correct them.
- ◆ List what survivor benefits are offered and/or available in the military compensation system.

Introduction

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1. Introduce self

Professional background and affiliation with the Navy.

2. Military compensation

Often when we think of military compensation we think of “military pay,” or what we get in our paycheck. But the full range of military compensation stretches way beyond just our monthly salary. Military compensation is comprised of several elements which include not only basic pay and allowances for quarters and subsistence, but a number of special and incentive pays such as flight pay, sea pay, hazardous duty pay, proficiency pay, and bonuses. Other factors include: the tax advantage resulting from the tax-free status of allowances; the use of commissary and exchange stores; medical care for members and dependents; the potential for receipt of retired pay; death gratuity payments; dependency and indemnity compensation; survivor benefits; life insurance plans; professional education and training; veterans education assistance; reimbursable items including clothing issues and maintenance; family separation and overseas allowances; travel and transportation allowances; dislocation allowances; and a CONUS COLA.

3. Why is it important that we know about these elements of military compensation?

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- ◆ To know what you are currently entitled to.
- ◆ To know what you may be entitled to as your circumstances change.
- ◆ To keep current on the changes. Navy pay is governed by many laws, instructions and policies which are always changing in order to recruit and retain qualified personnel. The changes mean that more must be known about a member to pay that person correctly, the greater the

NOTE:

Instructor should ask this question to the class and allow answers

chance that key information will not be known and pay may not be what is expected. In other words, mistakes happen, and knowledge of your pay will help correct them quickly when they do.

- ◆ If you know all that should be coming to you, you will pay attention to your pay. A steady paycheck is a great thing, but it is a double-edged sword in that service members have a tendency to get complacent about their pay because they know it will just keep coming in payday after payday. As you learn more about your pay and understand your LES it is hoped you will find motivation to manage it better in order to move in the direction of financial freedom. Many events occur in a member's life which necessitate pay changes. Going to sea, getting married, advanced, transferring, or re-enlisting are just some examples of some events that result in pay changes. Fluctuations in pay can catch members and their dependents off guard and unprepared. Financial hardship can occur when members do not understand how much pay they are entitled to, and what to expect. Frequently, such hardships occur because members are not aware of the need to inform their pay office about certain events.

Purpose and Agenda

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1. State Purpose and review agenda

The purpose of this program is to help you to understand the military compensation system, especially pay issues, tax issues, and the survivors benefit plan and to fit this information into your long-term financial plan as a piece of the financial planning pyramid. Specifically, we will cover:

- ◆ Understanding Your LES
- ◆ Pay, Allowances, Allotments and Deductions
- ◆ Military Tax Issues
- ◆ Common Pay problems and Options to Correct Them
- ◆ Survivor Benefits
- ◆ Other Military Benefits

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The Financial Planning Pyramid

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1. Financial Freedom

The Financial Planning Pyramid points the way towards financial freedom. Most people will agree that they want ‘financial freedom,’ but that means something different to everyone. What we all have in common however, is that in order to achieve financial freedom we must start with the basics. The Financial Planning Pyramid shows us what to do to move in that direction. One of the fundamental aspects of the Financial Planning Pyramid is adequate income. Without the belief that you have adequate income you will never move up the pyramid. That belief starts with understanding and using all parts of your military compensation package.

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Handout:
Understanding Your LES

NOTE:
Ask participants to look at their own LES now and provide the handout: Sample LES to those without their own information. Review the sections as described in the handout.

Understanding your Leave and Earnings Statement (LES)

1. What is the LES?

The LES is a monthly statement showing all pay changes and information for the month including entitlements (pays and allowances), deductions and allotments, and pay related remarks. The LES is produced from information contained on the Master Military Pay Account (MMPA). It is important that members be able to read and interpret their LES, and that spouses know how to read one.

2. Where do I go with questions?

Any questions or perceived problems should be directed to the local disbursing office as soon as possible. You should receive an LES each month, no later than the 15th of each month. Also, if you are not receiving an LES you should address this issue immediately with your local disbursing office.

3. Who is responsible for the information?

Your pay is your responsibility. Verify and keep your LES each month. If your pay varies significantly and you don't understand why, see your local disbursing office. Among other things, the LES shows what a member's pay is expected to be for the next two paydays. This information is a projection based on what is shown on the MMPA at the time the LES was produced.

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4. How do I contact DFAS?

The Defense Finance and Accounting Service-Cleveland Center (DFAS-CL) has instituted an interactive Voice Response system to help you quickly access your pay information. This is a toll-free, 24-hour service. The phone number is 1-800-346-3374. Members can get current pay information by using their SSN and a Personal Identification Number which the telephone prompting system will help you obtain.

5. What It Says:

The LES contains the following information:

- ◆ Personal Information
- ◆ Entitlements/Deductions/Allotments
- ◆ Leave Summary
- ◆ Federal/FICA/State Tax Information
- ◆ Pay Data Summary
- ◆ Remarks

For detailed information refer to the handout “Understanding Your Leave and Earnings Statement” or your own LES if you have it with you.

Personal Information: contains information that specifically identifies you, such as your full name, Social Security Number (SSN), pay grade, pay base date, years of service, and ETS.

Entitlements/Deductions/Allotments: lists the compensation that makes up your monthly pay, such as pay, allowances, taxes, deductions, garnishments (if any), and allotments. This section allows you to see exactly how your take home pay is calculated.

Leave Summary: this is your beginning leave balance, the leave you have earned from the beginning of the fiscal year (1 Oct), the leave you have used, cashed in or lost as a result of exceeding the maximum balance.

Be certain to check the “leave used” to make sure it is correct. Also check the “ending leave balance” block. It is important to track your leave balance so you do not exceed the maximum allowable accrued leave.

Tax Summary: this is the taxed paid for the period and for the year. It shows the number of exemptions you claim for tax withholds. It is important to keep your December LES as a backup for other IRS documents (like a W-2) to use when doing your income tax preparation.

Pay Data Section: the specific information used to determine the allowances you are entitled to receive. The date includes dependent information, the zip code of your duty station, the amount you pay in rent if living “out-in-town” and unit identification numbers.

Remarks: notes from DFAS regarding your monthly statement or other information, such as the starting or stopping of allotments or direct deposit (DDS), use of leave, garnishments, or general notes regarding pay, allowances, deductions, or other military benefits.

Pay, Allowances, Allotments and Deductions

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1. Military Pay: Items listed as “pay” are taxable under most circumstances. There are three basic types of pay in your military compensation package:

1. Base pay
2. Special and Incentive Pays
3. Allowances

Base Pay: This pay is taxable and is earned by all personnel according to rank or rate, and years of service. This is also the portion of pay on which your military retirement is calculated. Raises are earned upon promotion or advancement for years of service.

Special and Incentive Pays: Pays can be based on an annual lump sum bonus, monthly pay, or pay when the duty is performed. These types of pays come in three main categories: hazardous duty/recognition pays, skill incentive, and career pays. Hazard pays are monthly cash payments for duty performed. Career incentive pays retention tools paid monthly on a long-term basis. Skill Incentive Pays usually requiring an additional service obligation and are lump sum annual cash bonuses.

Allowances: you may also receive allowances to cover living expenses, housing, travel, and moving expenses. These allowances are designed to help assist a member with some living costs. Allowances are tax exempt, which means that you don't pay income taxes on that part of your pay.

Following is a list of pays you may see on your LES:

- ◆ Basic Pay
- ◆ Sea Pay
- ◆ Submarine Pay
- ◆ Crew Member Flight Pay
- ◆ Aviation Career Incentive Pay
- ◆ Hazardous Duty Incentive Pay
- ◆ Hostile Fire Pay/Imminent Danger Pay/Combat Pay
- ◆ Diving Duty Pay
- ◆ Special Duty Assignment Pay
- ◆ Foreign Language Proficiency Pay
- ◆ Certain Places Pay (aka 'foreign duty pay')
- ◆ Special Pay for Nuclear Qualified Enlisted Members
- ◆ Various Pays for Doctors, Dentists, Nurses, etc.

Pays may be based on pay grade, years of service, years of sea service, years of aviation experience, billet (or NEC), location of billet, and qualifications, or any combination of these. If you think you are entitled to a pay but are not getting it, see your local disbursing office as soon as possible.

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13**2. Military Allowances:**

These are non-taxable items. Allowances are based on many different circumstances and criteria, varying from whether or not you have dependents, to whether or not you are authorized to live off base. If you think you are entitled to an allowance but are not getting it, see your local disbursing office as soon as possible. If you have received pay(s) or allowance(s) that you are not entitled to, notify disbursing immediately, and put the money into savings until the Navy comes to collect it, they will collect it at some point. Be wise with your money management, and never take anything you don't have coming to you.

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There are three basic types of allowances:

1. Housing
2. Living Expense
3. Moving or Travel Expenses

15**Housing:**

BAH is paid to those authorized to live off-base. It is based on rental costs by pay grade, location, and dependency status and is designed to reflect comparable civilian housing costs for those with similar salary and location. BAS is designed to allow a standard quality of housing regardless of where you live in the U.S. but not to cover all your housing costs. Members assigned suitable government quarters, are not entitled to BAH. If you are receiving BAH solely for child support you may be entitled to BAH-DIFF. There is also a cost of living allowance (COLA) for overseas and certain US locations designed to offset the additional expenses of being assigned to a high cost of living area. In addition, there is a move in housing allowance (MIHA) for those overseas designed to assist with covering the costs of setting up a household overseas.

Living Expenses:

BAS: Basic Allowance for Subsistence is your allowance for food costs. It is paid to members who are not required to eat in the mess hall and partial BAS is payable to those who receive rations-in-kind. Officers collect BAS, then pay cash for meals, including those eaten in government dining facilities.

FSA: Family Separation Allowance is designed to help those whose job requires them to keep two households. It can be either “Unaccompanied” or “Accompanied”.

Type I - Unaccompanied FSA: You have dependent family members and you are assigned to a permanent duty station outside of the continental U.S. or in Alaska

- ◆ Government quarters are not available
- ◆ Family members’ travel is not authorized and you must maintain two households

Type II - Separated FSA:

- ◆ Family members do not reside near your duty station and are not authorized to move to or near it
- ◆ You are assigned to duty aboard ship which has been away from home port for more than 30 consecutive days, or
- ◆ You are on temporary duty orders away from your permanent duty station for more than 39 consecutive days (and your family members do not live near the temporary duty station)

CRA: A uniform/clothing allowance, Clothing Replacement Allowance, is paid to enlisted members annually and officer once upon entry into the service. You receive this allowance once a year, during the month in which you entered the service. The amount you receive is based on your years in service, your gender, and whether your duties require you to have special or extra uniforms.

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Moving or Travel Expenses:

Travel Allowances: the government pays for expenses associated with orders requiring travel, usually after the travel is completed. A government issued travel charge card is usually used while you are traveling and to obtain funds from Automated Teller Machines (ATM).

Types of travel allowances:

1. Mileage/Transportation: based upon the distance traveled, where you have been ordered to go and how you were directed to travel.
2. Per diem: based on the normal costs for meals and other incidental expenses during travel and at your destination.
3. Miscellaneous: baggage handling fees, tips and other authorized expenses associated with your travel.

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Moving: under PCS orders which require you to move, you are entitled to moving allowances to cover expenses such as:

- ◆ Shipment of personal goods
- ◆ Temporary lodging
- ◆ Vehicle mileage and highway tolls
- ◆ Meals during the move

You may have your goods shipped by a commercial moving company, or move your things yourself. Your Personal Property Transportation Office assists you with both options to help you decide which is the best option for you. The Do-It-Yourself (DITY) Move pays you directly for up to 95% of what it would cost the government to move you. Any money you earn above the actual cost is taxable. Shipments arranged by the transportation office are paid directly by the government to the carrier and are not taxable since you don't receive any compensation,

Permanent Change of Station Allowances: provided for members who are moving their household. This includes temporary lodging expenses: TLE provides for the temporary cost of housing while in transition. It is payable for 10 days in CONUS. Temporary Lodging Allowance (TLA) is payable up to 60 days OCONUS and cannot exceed \$110.00 per day. You are also authorized certain advance pay when moving, however, you must apply for it. In addition, you have an entitlement, DLA (dislocation allowance), of 2.5 months BAQ in CONUS and 12 months OCONUS. DLA is not an advance & does not have to be repaid. Members moving overseas may also qualify for up to 12 months of OHA (overseas housing allowance).

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You can get up to 3 months of advance pay and you can receive up to 3 months advance BAH CONUS and 12 months OCONUS when moving into non-government housing. With travel orders you can get advance payment of per diem and pre-paid transportation tickets. You must fill out a travel claim of your expenses and any advance payments that you received. Your local PSD will issue a payment for any balance due.

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Before jumping into all that advance money, you must ask yourself if you can afford the payback. The payback for the advance will begin being deducted the very next month, which means your paycheck will be less for the next 12-24 months. If you do take the advance, use it wisely on actual household needs, because you will have less income for awhile while you pay it back. Complete this worksheet to see what your payback will be and make sure you can live on the reduced paycheck.

Handout:
Advance Pay Worksheet.

Following is a list of allowances you may see on your LES:

- ◆ Basic Allowance for Housing (BAH)
- ◆ Basic Allowance for Subsistence (BAS)
- ◆ Clothing Replacement Allowance (CRA)
- ◆ Family Separation Allowance (FSA)
- ◆ Travel Allowances (mileage, per diem)
- ◆ Mileage in Lieu of Transportation (MALT)
- ◆ Temporary Lodging Expense (TLE)
- ◆ Temporary Lodging Allowance (TLA)—Overseas only
- ◆ Dislocation Allowance (DLA)
- ◆ CONUS COLA—designated areas only
- ◆ Move-In Housing Allowance (MIHA—Overseas only; and Cost-of-Living Allowance (COLA)—Mostly overseas

Handout:
A Dependent (D) Allotment

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3. Allotments

An allotment is one category of money that comes out of your pay, the other is deductions, which will be covered shortly. The allotment system allows you to have sums of money taken directly out of your pay and sent to a person or account you designate. The allotment system is a convenient way to pay bills, make charitable contributions, and manage your money in general. You must start and stop allowances by filing out a form at you local PSD.

Following is a list of discretionary allotments allowed in the Navy pay system:

- ◆ Dependent (D)
- ◆ Savings (S)
- ◆ Bond (B)
- ◆ Insurance (I)
- ◆ Charity (C)
- ◆ Repay Loan (L)
- ◆ Home Mortgage (H)
- ◆ Navy Mutual Aid Insurance (M)
- ◆ National Service Life Insurance (N)
- ◆ Repay Indebtedness (T)
- ◆ Garnishment/Bankruptcy (R)
- ◆ Education (E)

4. Deductions

Deductions are amounts that are deducted, or taken out of your paycheck. Most deductions are automatic, but you can control the amounts withdrawn by selecting your home of record (for state income tax), changing the number of deductions you claim or changing the amount of insurance coverage you select. There are four types of deductions:

1. Taxes
2. Insurance
3. Garnishments
4. Other Pay Withholding

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Taxes: this includes income tax and social security tax. Most people pay both federal and state income tax. These deductions only change if you fill out an IRS form at your pay office to change the number of deductions you claim. Social security tax withheld is shown as FICA (Federal Insurance Contributions Act). Some military members do not have to pay state income tax because some states do not have income tax and some states “exempt” residents serving in the Armed Forces. This is based on your “home of record”. Even though the military assigns you to a different state, you are allowed to maintain your original home of record if you choose. So choose one that does not have a state income tax.

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Insurance: Insurance withholdings include those for Serviceman’s Group Life Insurance (SGLI) and the Dental Health Plan.

Garnishments: this is an involuntary deduction taken from your pay as a result of legal action against you. When a garnishment is ordered, the government is required to withhold money from your check to pay your debts. Law or court order takes out taxes and garnishments automatically. Money received in advance for a PCS move is recouped on a monthly basis, which decreases your take home pay, but it is not a garnishment.

Other Pay Withholding: You can also choose to have pay withheld from your check for things like educational assistance programs. You choose any insurance costs or “Other Pay Withholdings” to be deducted. This is also where you will see advance pay & BAH paybacks.

Following is a list of deductions in the Navy pay system:

- ◆ Serviceman’s Group Life Insurance (SGLI)
- ◆ Federal Income Tax Withholding
- ◆ Federal Insurance Contribution Act (FICA)—Social Security Tax and Medicare

- ◆ State Income Tax Withholding
- ◆ Family Member Dental Plan (DENTAL)/Tricare
- ◆ Advance Pay
- ◆ Advance BAH
- ◆ Overpayment
- ◆ Navy Home Assessment

The timeframe for repayment of government debts (NEXCARD, overpayments, garnishments, advance pays, etc.,) vary, check with your CFS or local disbursing clerk for options, particularly in financial hardship cases.

How Navy Members are Paid

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1. When you are paid

All Navy members are paid on the 1st and 15th of each month. If the date falls on a holiday or weekend, you will normally receive your pay on the workday prior.

2. DDS

Direct Deposit System, net pay amounts are sent to the financial institution designated by the member. These payments are sent via electronic funds transfer from DFAS-CL through the Federal Reserve Bank. Navy policy now requires almost all active duty members to elect DDS. It is the member's responsibility to ensure that the account selected for DDS payments is open and in good standing. Net pay paid through DDS can only go to one account. If a member desires additional distribution of pay, the member must make those arrangements with the financial institution, or through the allotment system. DDS is a great deal. It means no more waiting in line to get paid or cash/deposit a check.

Your pay can't be stolen out of a locker and dependents are taken care of during deployments. DDS means your pay is available in your account on payday. DDS also means you must have a bank account or checking account and manage it properly.

3. Changes in pay

There are many occasions that will cause changes in pay and therefore warrant reporting, by the member, to the local pay and personnel office:

- ◆ Allotment changes, starts or stops
- ◆ Tax changes, including changes in exemptions, state of legal residence, or additional withholding
- ◆ Assignment of government quarters for members with dependents
- ◆ Marriage, divorce or other change in dependency status
- ◆ Changes in rent or mortgage payment
- ◆ Sharing of household with other military members

4. Split Pay Option

Some ships have a Split Pay Option where the member may designate a portion of net pay to be deposited to the ATM onboard ship, with the remainder going to the designated DDS financial institution. Only ships with ATMs can offer this option. This is an excellent money management tool for deploying members with families.

Military Tax Issues

1. Social Security Taxes

Social Security taxes, or Federal Insurance Contributions Act (FICA) deductions are withheld from all military members' basic pay. This is separated into social security and medicare contributions.

2. Federal Income Tax Withholding (FITW)

FITW is based on all pays (NOT allowances, and not just base pay, like FICA.) It is designated by filling out a federal W-4 form for withholding, usually available at your local disbursing office. The federal income tax system is a pay-as-you-go system, meaning as you earn your money you must pay taxes on it. Unfortunately, many service members pay too much in taxes, over-withholding, and basically making an interest free loan to the government.

- ◆ Withholding: The goal of paying your federal taxes should be to pay your fair share and break even, so that when tax time rolls around you don't owe, and are not owed any money. That means you have maintained control over the maximum amount of your pay. Some people like to over-withhold so that they get a big refund back at tax time. That is an option if you do not have the discipline to save otherwise. Just realize that you are making an interest free loan to the government, instead of having that money to use on a monthly basis to pay bills or invest. If you have the discipline, withhold only what you must, and save and invest the rest so you can earn interest on your money.
- ◆ W-4 Form: Some people don't realize they are over-withholding, and they may need the money in their daily cash flow. Again, only pay what the law says you must, and use

Handout:
State Income Tax

*If possible, also
provide a few W-4
forms from PSD.*

your money according to your priorities and goals. Look at your LES, under the heading Ms and Ex. This is the marital status and number of exemptions you are claiming. Is it correct? Many service members forget to update this form and so have withholdings done at too high a rate. Take a moment now to verify this information. **If W-4 forms are available, encourage participants to fill in the correct data on the W-4 form now or advise them to go to PSD.** This is one of the most common problems financial counselors see, and the easiest way to get more money into your paycheck.

- ◆ VITA: Remember, at tax time the VITA program is available to help you fill out your Federal Income Tax forms (and possibly state forms) and may even be able to electronically file your taxes for you.
- ◆ Changes in status: Be aware that there are many circumstances that will affect your taxes: marriage, divorce, new family member, gain or loss of income, bonuses, moving, home ownership, and starting and/or running a business. Any time your circumstances change, check with your Command Financial Specialist or Financial Educator to discuss the tax implications, and plan for the best use of your money.

1. State Income Tax Withholding (SITW)

Your military compensation may be subject to SITW for the state you claim as your legal residence. Treat state taxes like federal taxes—don't pay any more than you must. If you are a resident of a state with an income tax, and the state does not exempt military pay, check your LES for SITW, and if necessary, go to your local disbursing office for assistance.

- ◆ Taxes on military pay: There are several states that do not tax military pay. Also, the Soldier's and Sailor's Civil Relief Act of 1940 provides that a member of the Armed Forces who is a legal resident of one state but who is living in another solely by reason of military orders is not liable to the second state for income taxes on his/her military income. However, if you have non-military income from the second state, you are liable for state income taxes on that income.
- ◆ Reference numbers: Refer to the "State Income Tax Authorities" handout or Your Command Financial Specialist, Navy Legal Services Office, or Navy Family Services Center will have a list of addresses for the state tax authorities where you can get any state income tax withholding questions answered. They can also provide information on changing state residency for state income tax purposes.
- ◆ Remember the golden rule of taxes, pay them when due, but never more than the law requires.

Common Pay Problems and Options to Correct

1. Problems:

- ◆ Overpayments and Underpayments.

- ◆ Failure to change income tax withholding status.

- ◆ Allotments not stopping or starting on time.

- ◆ Changes in dependent status (marriages, children, etc.).

- ◆ Too many allotments going at once.

- ◆ Unexpected repays (garnishments, overpayments).

- ◆ Government credit cards.

- ◆ Pay problems related to PCS and deployments.

Solutions:**33**

- ◆ Monitor LES.

- ◆ Change FITW

- ◆ Closely monitor allotment start and stop requests. Keep copies of everything.

- ◆ Notify PSD immediately when there is a change in family status (marriage, birth, death, divorce).

- ◆ Closely monitor budget/spending plan.

- ◆ Don't use government credit cards for unauthorized expenses.

3. Waiver of Indebtedness**34**

This allows a bit of breathing room to sort out your finances. All pay and allowances return to their original amount for a period of time. This is a complicated form and must be approved by the command. This is not to be taken lightly. The indebtedness issue must be resolved, but this extra time can provide you with an opportunity to work out a repayment plan that is easier on your budget. Remember that there are no surprise debts. Your LES provides a forecasting of your next pay check and will note any changes upcoming next pay period in the remarks section.

NOTE:

Instructor provide the SBP booklet. If unavailable, recommend interested participants go to the Navy Family Services Center for a copy.

NOTE:

For more detailed information refer to the module - Insurance

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Survivor Benefits

The Navy has one of the best compensation systems available from an employer in this country—if you die on active duty, that is. It is important for service members to know the basics of survivor benefits so they can develop a comprehensive financial plan, designate the proper beneficiaries, and have peace of mind that ‘things’ will be taken care of should something happen.

There are extensive briefs available on this topic. This section will briefly cover SGLI, SBP, and the major survivor benefits payable upon death of a service member.

1. SGLI

Your SGLI is one of the most valuable benefits available to sailors. SGLI is a term insurance policy with coverage of up to \$200,000 for a present cost of \$16 per member. You can determine the amount of your coverage by checking your LES in the “deductions” section. If there is no deduction listed for SGLI, then you are not covered. That can be easily rectified by visiting your personnel office to adjust or obtain coverage by filling in Form SGLV 8285. SGLI has no loan, cash, paid-up or extended values. When you leave the service it goes away after 120 days or it can be converted to another type of insurance after service ends.

- ◆ Questions regarding SGLI can be directed to the Office of Serviceman’s Group Life Insurance (OSGLI), 213 Washington Street, Newark, NJ 07102.
- ◆ Form SGLV 8285 is used to designate who will receive your SGLI benefits. Each beneficiary’s name, address, percentage of shares, and option of payment must be designated. Use of the phrase “by Law” to designate SGLI beneficiaries is not allowed. Be certain to keep this up to date. Many servicemembers have passed away and had

all their insurance go to an ex-wife, simply because they forgot to change the beneficiary. This is not governed by a will.

- ◆ Throughout your career you will be met with offers to buy additional insurance. Evaluate these offers carefully, and always remember that if you have SGLI, you are already covered for up to \$200,000, and may not need additional insurance.

2. Survivor Benefit Plan (SBP)

The Survivor Benefit Plan is a choice you will be faced with as you get ready to retire. You may find it unnecessary to think about this benefit early in your career, but again, knowledge of SBP and knowing that it will be available to you upon retirement should have an impact on your ongoing financial planning and may affect some of your long-range financial decision-making. SBP is a sound supplement to a good financial program.

- ◆ The spouse of a retired service member gets no more retirement pay when the retiree dies. SBP helps make up for the loss of that income. When a member retires, by paying monthly premiums on a base amount, the spouse will continue to receive a portion of the retired pay when the member dies.
- ◆ If you are on active duty, retirement-eligible and have a spouse and/or children, they are automatically protected under SBP at no cost to you while still on active duty, they will receive DIC (dependant indemnity compensation). If divorced, your former spouse may be protected instead of the current one.

- ◆ When you retire you may elect any of several SBP options. They cannot be canceled or changed after retirement except in specific instances such as a change in your marital status or after the loss of a beneficiary.
- ◆ SBP is an excellent option for almost all service members, if nothing else, at least at the minimum amounts available.

36**3. Below is a summary of other Survivor Benefits.**

- ◆ Death Gratuity: \$6,000
- ◆ Free Burial
- ◆ Round trip travel and free household goods move
- ◆ 3 months BAH or 3 months quarters free
- ◆ Arrears in pay and accumulated leave

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- ◆ Social Security (\$225 burial and other survivor benefits)
- ◆ Dependent's Indemnity Compensation (DIC): \$861/mo. for spouse, \$217/mo./child under 18 (as of 1999)
- ◆ VA Education Benefits: \$404/mo. for 44 academic months (full time) for children

As you can see, there are many survivor benefits available. Be sure your Page 2 (NAVPERS 1070/602 Dependency Application/Record of Emergency Data) is up to date. Navy officials use the information on your Page 2 to notify next of kin and other designated family members if you die (or become gravely ill or injured.) The family members you designate to receive your death gratuity and any unpaid allowances are also listed on your Page 2. Your Page 2 is the form you use to apply for dependency allowance and document family member data. The important information on your Page 2 should be updated whenever there are changes in family member status.

Other Military Benefits

In addition to the survivors benefits just discussed, there are other monetary and non-monetary benefits to which you are entitled.

1. Medical and Dental Care

Provided at no cost to active duty members and at varying costs to family members depending upon the type of coverage selected.

2. Education and VA Programs

Depending upon your date of entry, you may be eligible for the GI bill, the Voluntary Education Assistance Plan (VEAP), or the Montgomery GI Bill. These are programs where you share in the cost of the benefit. There are also programs funded entirely by the government.

3. Leave

You earn leave every month. You earn 2.5 days per month for a total of 30 days per year. Depending upon duty requirements, you are also provided leave on Federal holidays. You may accrue leave up to 60 days. Leave must be taken or lost by the start of the fiscal year (Oct 1). You may also sell back up to 60 days leave at the end of enlistment or separation. If you are deployed in a year, you may accrue more than 60 days in that year.

4. Retirement

Normally, you must serve for 20 year to become eligible for retirement pay. The longer you serve the more retirement pay you will receive. In general, this is 50% of your base pay, depending upon the plan in effect at your date of entry. You also continue to receive commissary & exchange rights, and low or no cost health insurance.

NOTE:

*Refer to the module-
Basics of Retirement Planning
for more detailed information.*

Summary

1. LES

Check your LES every month, and if you are married, make sure your spouse knows how to read it. Ensure you are getting all you have coming to you, and that you are not overwithholding on your income taxes. If you are not getting paid money you think you are entitled to, or if you are getting paid money you think you are not entitled to, see your local disbursing office immediately.

2. Benefits

The military has a very comprehensive benefits package. It is important for you to have a firm understanding of benefits, including pays and allowances, survivor benefits and military benefits, so you can make sure you are getting all you are entitled to.

3. Recordkeeping

Starting your Navy career with good recordkeeping habits will benefit you for the rest of your life. Start a filing system now for your LES, bank statements, will, and other important bills and documents. This can be as simple as a few large envelopes with your name and the category on them. Be smart and leave yourself a paper trail—save your important documents.

4. Sources of Help

There are many sources available to help you with your military benefits:

- ◆ Your Command Financial Specialist
- ◆ Your Navy Family Services Center
- ◆ Your Local Disbursing Office
- ◆ Your Navy Legal Services Office
- ◆ A CHAMPUS/Tricare Health Benefits Advisor
- ◆ Navy-Marine Corps Relief Society

5. Conclusion

Good financial planning starts with a firm belief that you have adequate income. Once you have that, go on to manage your income properly, and proceed on your way toward financial freedom by savings and investing.