



## Harmony Wealth Strategies

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# Harmony Wealth Strategies

BUILDING AND SAFEGUARDING  
YOUR FINANCIAL WORLD



## Five Key Benefits for Military Families



Military families face plenty of financial challenges. If you're saving for college or retirement, buying a home, or wondering how to help secure your family's financial future, don't overlook these five important benefits.

### 1. Thrift Savings Plan

Retirement is something you need to plan for, whether it's far away or just around the corner. Even if you can rely on a military pension because you've stayed in the service for 20 years or more, it's probably not going to provide all the retirement income you'll need, and neither is Social Security. That's why it's important to save for retirement on your own. One option you have is to contribute to the government's Thrift Savings Plan (TSP).

The TSP is a retirement savings plan for federal employees, including servicemembers. When you make traditional contributions to the TSP, you get the same types of savings and tax benefits as you would if you contributed to a 401(k) plan offered by a private-sector employer. Contributing to the TSP is simple--your regular contributions are deducted from your paycheck before taxes (which can lower your taxable income for the year), and your contributions and any earnings accumulate tax deferred until withdrawn in retirement. You can also opt to make after-tax Roth contributions. They won't reduce your current tax liability, but qualified withdrawals in retirement will be tax free (assuming IRS requirements are met).

You can enroll, change, or cancel your contributions whenever you'd like. You can contribute as little as 1% or as much as 100% of your basic pay (or a designated dollar amount) each pay period, up to what's called the elective deferral limit for the year. In 2021, you can contribute up to \$19,500; if you're age 50 or older and are making catch-up contributions, you can contribute up to \$26,000.

If you're contributing a percentage of your basic pay, you can also contribute a percentage of your incentive pay, special pay, or bonus pay (but you

can't make catch-up contributions from these types of pay). And if you're deployed and receiving tax-exempt pay (i.e., pay that's subject to the combat zone exclusion), you can also make contributions from that pay, and your contribution limit for the year is even higher; the limit for total contributions from all types of pay is \$58,000 for 2021.

When you leave the military, you can't continue to contribute to the TSP, but you have the option of keeping your money in the TSP or rolling it over to another retirement account, such as a traditional or Roth IRA or an eligible employer plan.

For more information on the TSP, visit [tsp.gov](https://www.tsp.gov).

### 2. Savings Deposit Program

Are you trying to save money to buy a vehicle or make a down payment on a home? Do you need to set aside money for a rainy day? If you're deployed to a designated combat zone for more than 30 consecutive days, you may have a unique chance to save for your goals at a guaranteed interest rate by participating in the Defense Department's Savings Deposit Program (SDP).

The SDP pays you 10% interest on deposits up to \$10,000 while you're deployed, and you'll earn this interest rate on your money for up to 90 days after your return. You may deposit all or part of your unallotted pay. Interest compounds quarterly and is taxable.

Generally, you can withdraw funds and close your account only after you leave the combat zone and are no longer eligible to participate in the SDP, although emergency withdrawals while you're deployed are allowed in some cases.

Other rules and eligibility requirements apply. To find out more or begin participating in the SDP, contact your local military finance office.

### 3. Post-9/11 GI Bill

Education benefits are one of the most valuable benefits available to servicemembers. If you're

***If you're married, make sure that you and your spouse understand what financial challenges you face and what benefits you're entitled to. Regularly discussing financial matters can help ensure that both of you are prepared to handle family finances whenever the need arises.***



entitled to benefits, the Post-9/11 GI Bill will pay up to the full cost of in-state tuition and fees at public colleges for up to four years, or up to a certain maximum amount per academic year if you attend a private college or foreign school. The maximum for the 2020 - 2021 academic year (August 1, 2020 through July 31, 2021) is \$25,162.14. Extra benefits may be available to those who are enrolled in Science, Technology, Engineering and Math (STEM) programs.

But if you don't need to use your entitlement, the Post-9/11 GI Bill can provide a great way to pay for your family's education. Servicemembers who make a long-term service commitment have the opportunity to transfer unused education benefits (up to 36 months' worth) to their spouses and children.

To transfer your unused benefit entitlement to your spouse, you must have served at least 6 years, and generally commit to serving 4 additional years from the date a benefit transfer is approved (some exceptions to this added service requirement exist). Once the transfer is approved, your spouse may begin using the benefits immediately and generally has an unlimited amount of time to use the benefits.

If you opt to transfer your unused entitlement to your dependent children, they can use the benefits only after you've completed at least 10 years of service. In addition, they must have attained a secondary school diploma or equivalency certificate or have reached age 18, and they can use the benefit entitlement only until reaching age 26.

If both your spouse and your children are attending school, you can opt to split your benefit entitlement among them.

To learn more about GI Bill benefits for you and your family members, visit [benefits.va.gov](https://benefits.va.gov).

#### 4. VA Home Loan

Saving for a down payment is one of the biggest obstacles to homeownership. Fortunately, military families can often benefit from the no-down-payment requirement of a VA loan. This type of loan, which can only be used to finance a primary residence, also features another money saving benefit: borrowers aren't required to pay mortgage insurance.

Despite its name, the VA loan isn't handled by the government. Like other home loans, VA loans are offered by private lenders such as banks, credit unions, and mortgage companies. The VA

guarantees a portion of the loan, which may make it easier for you to obtain a loan or qualify for more favorable terms, including lower closing costs and appraisal fees. Not all lenders offer VA loans, so you'll need to ask potential lenders whether they are VA-approved lending institutions.

One lesser known feature of the VA loan program is the opportunity to do a cash-out refinancing. If you have substantial home equity, this feature allows you to refinance an existing home loan (including a non-VA loan) while borrowing extra money, which you can use to pay off debt or make home improvements, for example.

A VA loan is often a good choice for military families, but it's not the only game in town. You should compare the terms, interest rate, closing costs, and fees against other mortgage options. One drawback of a VA loan is the funding fee that's generally required. This funding fee which you pay at closing (it can be financed into the loan) is a percentage of the amount you're borrowing.

For more information on VA loans, including how to qualify and how to apply, visit [benefits.va.gov](https://benefits.va.gov).

#### 5. Servicemembers' Group Life Insurance

Knowing that your family will be protected is extremely important, and affordable term life insurance coverage is available through the Servicemembers' Group Life Insurance (SGLI) program. Eligible servicemembers are automatically enrolled in SGLI, and spouses and dependent children are generally automatically insured through a related program, Family Servicemembers' Group Life Insurance (FSGLI).

When you leave the military, you can apply to convert your policy to Veterans' Group Life Insurance (VGLI), which provides renewable term coverage. An SGLI policy may also be converted to an individual policy sold by a participating commercial company. (Deadlines apply to both types of conversions.) However, you should carefully evaluate your options to determine whether VGLI will meet your life insurance needs. Points to consider include premium costs, plan features, and whether term insurance is your best option.

For more information about these and other life insurance programs for servicemembers, visit [insurance.va.gov](https://insurance.va.gov).

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