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After the Military: Tips for Your Financial Transition to Civilian Life

A drawdown is looming. You're separating at the end of active service. You've decided to retire after a long career. No matter why you're leaving the military, a big part of preparing for your civilian life is taking steps to proactively address the financial issues you might face. Here are some tips to help ease the transition.

Get your road map ready

An impending separation from service may be both exciting and anxiety-provoking for you and your family. Your lifestyle, income sources, and benefits will be changing. Major decisions that may affect your finances include:

- Where you decide to live
- Whether you'll be selling or purchasing a home
- Whether you and/or your spouse will need to find new employment
- Your plans to return to school
- Your eligibility for benefits (e.g., from the military or a future employer)

To help you prepare for your transition to civilian life, the Department of Defense, along with other agencies, has developed a Transition Assistance Program (TAP) — also called Transition GPS. Most servicemembers who are retiring, separating, or being released from a period of at least 180 days of active duty must participate. This program includes pre-separation counseling, briefings, and workshops that cover topics such as education and training, employment and career goals, financial management, and VA benefits. You'll also prepare an Individual Transition Plan.

Prepare a realistic budget

Having a realistic budget is important. Once you leave the military, it's likely that your living expenses will increase because you won't be receiving tax-free allowances, and costs for insurance, housing, groceries, and other day-to-day expenses may be higher. Preparing a budget that reflects your new

sources of income and expenses, and adjusting it when necessary, can help you stay on track as you adapt to your new financial circumstances.

Here are some questions to consider as you prepare your working budget:

Income

- Will you be eligible for separation pay or cashing in unused leave? These can be sources of short-term income if necessary.
- What about retirement pay? Make sure you understand how much you'll receive, if applicable, and what other sources of retirement income you'll be eligible for.
- What salary can you expect from your new career?
- Will your spouse be working?
- Will you be eligible for any veterans benefits that will provide ongoing income?

Here's a tip: *If you're unable to find a job right away, you may qualify for unemployment compensation, but your eligibility may be affected by any retirement or separation pay you receive. Unemployment benefits vary from state to state, so for more information you'll need to contact your local unemployment office.*

Expenses

- Will the general cost of living (for example, gas, food, and utilities) be higher in your new location?
- How will your health expenses change? Will you have access to employer-sponsored health insurance?
- What will your housing costs include (e.g., rent or mortgage payment, property taxes, and insurance)?
- Will you need to purchase and insure a vehicle?
- What about other expenses, such as commuting costs, clothing, and child care?

Here's a tip: *Have a plan in place to reduce your expenses if necessary. Identify items in your budget that you consider discretionary and would be willing to*



Your military career has taken you in many different directions. No matter where you want to go next, planning as early as possible may help ease your transition from servicemember to civilian.



cut at least temporarily. It will likely be much easier to pay off debt now while you have a steady paycheck from the military rather than later when your job situation might be uncertain.

Save for transition expenses

Some of your costs will be covered through transition assistance (for example, storage and shipment of household goods), but it's likely that you'll have expenses for which you won't be reimbursed, such as housing deposits. Having some savings set aside in a transition fund that you can easily access may help you avoid having to dip into your long-term savings and investments to cover unexpected expenses. It will also decrease the odds that you'll rack up credit-card debt that you'll have to pay off down the road.

Here's a tip: Don't wait until the last minute. Make saving for your transition a priority, and start as far ahead of time as possible to ensure that you have several months of savings set aside to cover transition expenses.

Review and revisit

After your transition is complete and your income and expenses have stabilized, update your budget to reflect your new circumstances. It's also a good time to review your financial goals. Now that your focus has shifted from your short-term priorities, you can refocus on pursuing your long-term goals to prepare for your next stage in life.

Before leaving the military...

Housing	Determine how much you can afford to pay for housing, and contact a local real estate agent who can show you properties available to rent or buy. Visit and evaluate the area where you'd like to move.
Health care	Schedule medical and dental appointments, and review and copy your records. Learn about your postseparation or retirement health insurance options and determine whether you'll need transitional insurance.
Life insurance	Review your life insurance needs. Decide whether it's cost-effective to convert your SGLI policy to VGLI, or whether you should purchase an individual policy. If you have FSGLI coverage for your spouse, remember that it's not convertible to VGLI, so look at options for replacing your spouse's coverage.
Estate planning	Update your estate plan, including your will, powers of attorney, and other documents to reflect your new situation.
Retirement planning	Decide what to do with your Thrift Savings Plan (TSP) account, if you've contributed. If you're seeking employment in the civilian sector, learn about any new options for retirement savings, such as contributing to a tax-deferred employer sponsored retirement plan. If you're retiring, consider how your military retirement pay fits into your overall retirement income plan.
Education planning	Make sure you understand your education benefits that can help you pay for college or vocational training. Consider transferring Post-9/11 GI Bill benefits to dependents. While you're still on active duty, take tests that can help you earn college credit or a license or certification, and find out whether any of your military training may be substituted for college credit.
Career planning	Attend relevant employment workshops and counseling. Attend job fairs and network with potential employers and recruiters. Military spouses can connect with the Spouse Education and Career Opportunities (SECO) program for career planning help at www.militaryonesource.mil/seco .

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