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A Call to Financial Planning for Veterans

BLBB was founded in 1964, by Air Force Pilots Nick Lawton and Frank Burke. They wanted to start an investment firm that was geared towards helping other investors plan and build financial security. Frank and Nick settled on Chestnut Hill, Pennsylvania and they used their military service as a common thread in setting the culture of the firm and the clients they served. They were later joined by retired Army Officer Curt Brewer.

Military veterans face a number of unique financial planning circumstances and challenges; many of which must be handled in a timely manner in order to retain certain benefits and privileges. If you are thinking about retiring from your military career or are still on active duty but considering a return to civilian life, it will be helpful for you to work with a trusted financial advisor who also understands these challenges and has experience assisting other veterans with these matters.

Whether you are transitioning from the service directly into retirement or are entering the civilian workforce, it is extremely important to have a sound financial plan. Also, many of the financial decisions you will need to make as you exit the service can have a significant impact on your future financial security. It is critically important, for example, to make the best possible decisions about your military pension and the retirement assets in your Thrift Savings Plan. From a budgeting and planning perspective, it is important to keep in mind that you will probably have more expenses once you are outside of the military.

Below are some important items to consider:

Credit history: Your credit history/rating is based on the accounts you have, who you owe, how much you owe, and whether you have historically paid on time. Strong credit scores matter. Something as simple as obtaining a credit card that you regularly pay on time could have a long term impact on your credit rating.

Taxes: Make sure you are current with your Federal Income taxes and you understand the impact of state and local taxes on your civilian employment.

Health insurance: You will need to acquire medical, dental, vision and disability insurance. If not immediately employed, research independent commercial insurance plans. Any injuries you incurred during your service may be eligible for disability insurance payments.

Life insurance: The military offers a maximum of \$400,000 of coverage with Servicemembers' Group Life Insurance (SGLI). Policyholders will receive 120 days of free coverage, or up to two years if disabled during service, following separation from the military. Part-time coverage is also available to Reserve members. Once you are discharged, SGLI policies can be converted to Veterans Group Life Insurance. However, you must apply for the conversion within one year and

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120 days from discharge. Before leaving the military, you may want to consider purchasing a commercial life insurance policy at least six months before retirement. One key benefit of a non-employer provided policy is that it provides coverage during a possible employment gap.

Survivor Benefit Plan: Upon the death of the retiree, retired military pay stops. The Survivor Benefit Plan (SBP) is a way for a military retiree to ensure a stream of lifetime annuity income for his or her dependents. The SBP pays the surviving spouse (and potentially the children) a monthly payment to help make up for the loss of retirement income. These payments do not count as income to the recipients. It is important to select the appropriate SBP elections for your family as these cannot be changed or canceled after retirement except in certain very specific instances which should be investigated.

Thrift Savings Plan: The Thrift Savings Plan (TSP) is similar to an employer-sponsored retirement plan (e.g. a 401k) but only for federal employees and uniformed service members. If you have a TSP and are leaving the military, you will have the choice of leaving your assets in the TSP, rolling them into a traditional or Roth IRA, or rolling this money into your new employer's retirement plan. There are pros and cons to each of these options as well as some potential tax consequences so it makes sense to evaluate these carefully with the help of your financial advisor.

Retirement Pay: In 2018, the Military Retirement Modernization Commission recommended changes to retirement benefits for service members which include a defined benefit, defined contribution and continuation pay for those with more than 12 years of active duty. This may also significantly impact your TSP for the positive. See this article for details, <https://www.military.com/benefits/military-pay/upcoming-changes-to-military-retirement-system-explained.html>

Continuing education expenses: The GI bill can assist with tuition, housing, and related expenses. Look into special programs for designated careers, particularly in the high tech field. Many schools also offer additional tuition assistance for veterans. Some of these benefits may include your spouse and children.

Budgeting:

Housing - As a general rule of thumb, your housing expenses should not consume more than 1/3 of your income. Evaluate and analyze the benefits of buying vs renting and allow for the additional cost of utilities and homeowner's or renter's insurance policies. Also, keep in mind that VA loans at favorable rates may be available for the purchase of a home.

Food/Transportation/Entertainment - Consider the additional cost of essentials that were previously provided for you while on active duty. Food, transportation and entertainment can consume up to 40% of your income. Careful budgeting can help you keep expenses under control.

There are many details to manage and financial decisions to make when you are transitioning out of the military. If you have any questions about the items listed here or would like to discuss your specific circumstances, please do not hesitate to contact John Lawton at 215-643-9100 or jlawton@BLBB.com. John served with the United States Army in Germany before retiring from the military and transitioning back to civilian life in Philadelphia. He also received a three year Army ROTC scholarship through Bucknell University.

John has been a Financial Advisor with BLBB since 1996 and is well-versed in the nuances of financial planning for veterans. He is also an active volunteer with the Doylestown, PA based Travis Manion Foundation.