

**Seven Steps
to a Better
Military Retirement**



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Voice.®

Sure, switching to civilian life after a career in the military can be daunting. But a little planning can go a long way toward making your transition a smooth one. MOAA has made this task easier for you with seven simple steps to follow to enjoy your post-military career and lifestyle.

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Is there life after the military?
Follow these steps for a smooth transition.

1 Look Before You Leap

The Strategic Imperative

The first decision in the transition process (unless you are facing mandatory retirement/separation) is whether to be in transition in the first place. Carefully consider whether you really want to leave what has been your life's work — and the camaraderie and financial security that accompany it. Ensure your entire family is involved in the decision-making process. Keep in mind they'll have to transition and change cultures, too.

If the decision is to move on, develop a mind-set to give the same energy, enthusiasm, and effort to the process as you've given to your military responsibilities over the years. Although many important issues will arise, answering the following questions will be your highest priority when charting your course:

- What do you want to do?
- Where do you want to live?
- How much money do you need, and how much can you realistically command, in the civilian marketplace?

Bottom Line: Making the strategic-level decision regarding whether to move on from the military is the first and most important step in what will be a complex process. Ensure you give it the attention it deserves before immersing yourself in the tactical-level tasks, such as creating your résumé and executing your job search, that will follow.

2 Start Your Job Search

Finding That Perfect Job

Once you've developed answers to the strategic-level questions in Step 1, the job-search process comes down to research and networking. With respect to networking, you actually can do some of that in your current location by going to local career fairs. The larger the career fair, the more opportunities you'll have to network.

Large employers (in both the private and public sectors) usually have branch offices nation- and worldwide. At a career fair, tell your contact you're interested in his or her company or agency and you're planning to relocate. Then ask whether they can discuss job opportunities in a branch of their company or agency in your new location. If they can, you're off and running. If they can't, ask whether you can follow up with them after the career fair to get the contact information for the person in that company or agency who can discuss with you job opportunities in your new location.

Career fairs are, of course, the "10,000-pound gorilla" in the world of networking. In addition to attending those in your current location, as discussed above, if at all possible, attend at least one career fair in your new location. When speaking to a potential employer, make sure he or she knows the date you plan to arrive in your new location.

Career fairs are the best networking tool, but the Internet is best for research. Start by using local job-search websites. Your local Chamber of Commerce website will list its members and even might list positions they're trying to fill. For the public sector, use federal (usajobs.opm.gov), state, county, and city websites to search job listings. Another great resource is the online version of your new location's newspaper.

In terms of networking in the new location, use all possible resources. These include (but are not limited to) friends, family, and colleagues. If you belong to professional or fraternal membership organizations like MOAA, a service association, the Rotary Club, etcetera, find out whether they have chapters in the new location. Take advantage of MOAA's State Networking Program, which has networking contacts nationwide and overseas. The college or university you graduated from also might have a listing of fellow alumni in your new location. Remember, every local contact is valuable, and can provide you with more contacts!

Bottom Line: The more time you devote to your job-search process, the better your outcome will be. Researching and networking a year out is good, 18 months is better, and two years is best! For more information, visit www.moaa.org/tops and www.moaa.org/careerfair.

3 Compare Apples to Apples

Know What Your Service is Worth

Many active duty officers are tempted by the lure of high-paying jobs in the private sector. Before you leave the military for what seems to be a lucrative civilian job, make sure you are comparing apples to apples.

To get an accurate picture, you have to take into account your nontaxable military benefits. Nontaxable Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), and special pay all significantly increase your overall compensation package. Ensure you “gross up” your nontaxable benefits and add them to your base salary to come up with your true pay. For instance, an O-4 with 14 years of service receives \$6,756.60 a month in base pay (2010 Pay Chart) and BAH (Washington, D.C., monthly housing allowance, with dependents) of \$2,718 a month and \$223.04 in BAS. Assuming a 30-percent combined federal and state tax bracket, the monthly pretax value of the tax exempt allowances is \$ 4,201.49 (\$ 2,941.04 divided by 0.70), for a combined comparative monthly compensation of \$10,958.09 – or \$131,496.20 annually.

Bottom line: Make sure you do your homework before jumping into the private sector. MOAA's Military to Civilian calculator can help. Visit www.moaa.org/financialcenter.

4 Develop a Financial Plan

Financial plans are like diets: Many people know they need one, yet very few take the time to follow one seriously. Studies routinely show those who create and maintain a written financial plan not only achieve greater financial success and peace of mind but also reduce stress over financial issues.

The average American today has saved less than \$17,000 for retirement by the time he or she reaches age 65. Clearly, planning ahead is crucial. Fortunately, most officers will have military retired pay, Social Security, savings, and investments — and possibly second-career retirement plans — for financial support during retirement. By drawing up — and sticking to — a financial plan, you can make sure your nest egg is large enough to meet your needs in retirement.

MOAA's *Financial Planning Guide* can help. This guide, designed for military officers, will help you take the first steps on the road to financial freedom and is supported by MOAA's Web-based Financial Education Center, www.moaa.org/financialcenter.

Bottom line: Your financial plan is a road map to help you develop and define short- and long-term goals, take stock of where you are today, and find financial independence.

5 Understand Your Retired Pay

Understanding how military retired pay is calculated is essential for financial planning. Below are the three military retirement pay systems. (To learn more, visit www.defenselink.mil/militarypay.)

- Final Pay (entered active duty prior to Sept. 8, 1980)
- High-3 (entered active duty between Sept. 8, 1980, and Aug. 1, 1986, or turned down the Career Status Bonus (CSB)/REDUX)
- CSB/REDUX (entered active duty on or after Aug. 1, 1986, and elected the CSB)

Knowing the exact dollar amounts you can expect to receive can help you determine the age at which you can leave the workforce entirely and still maintain the lifestyle you want.

CSB/Redux

Servicemembers who complete 15 years of service face a cash-versus-retirement decision — and they don't get a second chance. You will be offered a one-time \$30,000 cash bonus in return for a lower retirement payout and a smaller COLA on your retired pay. There's no other way to say it: This is a bad deal. Accepting this one-time payment could cost you 10 to 20 times as much in lifetime retired pay.

The plan reduces initial retirement payouts by 20 percent and limits the annual COLA increases to 1 percent. Because nearly half of total retired pay comes from COLAs, this results in a loss of \$250,000 to \$500,000 (or more) in retired pay. At age 60, a 20-year REDUX retiree's paycheck is a third lower than that of a retiree who chose the High-3 program.

Bottom Line: Don't sacrifice tomorrow for a one-time gain — decline the CSB/REDUX plan.

6 Understand the Survivor Benefit Plan

Created in 1972, the Survivor Benefit Plan (SBP) provides a government-subsidized and inflation-protected income stream for your spouse and/or children after you die. Because your military retirement pay stops when you die, SBP is the *only* way to ensure your family continues to receive a portion of your retirement pay.

Your decision to enroll or not to enroll in SBP depends on your unique financial situation. SBP, by itself, will not provide sufficient income to your survivors, but it's a valuable part of any estate plan. When you retire, you will be enrolled automatically in the SBP unless you and your spouse decline it — and your spouse consents in writing to that declination. This decision must be made before you retire.

SBP provides a maximum of 55 percent of a retiree's base annuity for a pretax cost of 6.5 percent of retired pay. For example, a retiree with \$4,000 a month in military retired pay who elects full SBP coverage provides an income continuation benefit to his or her spouse of \$2,200 a month for a monthly pretax premium of 6.5 percent of retired pay, or \$260. This translates to a 55-percent lifetime benefit for all SBP annuitants, which makes SBP an attractive income insurance program.

For most survivors, SBP coverage alone isn't enough. SBP with Social Security and other income provides a great safety net to survivors.

Bottom line: There is a reason why nearly 79 percent of retiring officers elect SBP coverage. Make sure you do your homework and get the facts before you turn it down.

7 Don't Skimp on Insurance

Insurance — specifically life and property — is designed to protect you and your family against catastrophic loss. As such, insurance should play a key part in any financial plan.

Life insurance, protection for those who are financially dependent on you, comes in two types: term and permanent/cash-value policies. Term life insurance offers pure protection while permanent insurance combines a term insurance policy with a savings and investment component.

On active duty, most officers carry \$400,000 of Servicemembers' Group Life Insurance (SGLI) coverage in addition to their automatic (and free) Dependency and Indemnity Compensation coverage and a \$100,000 death gratuity. But SGLI coverage expires 120 days after retirement. All retiring members, including disabled and other medically at-risk members, are guaranteed eligibility to convert their SGLI to equivalent Veterans' Group Life Insurance (VGLI) coverage.

This ends up being a great deal for those who have medical problems, but most others can do much better by purchasing nongovernment life insurance. If you are reasonably healthy, it pays to shop around. Plenty of life insurance policies will be less expensive in the long run than VGLI.

While health care coverage is provided by the military for retirees and their families eligible for TRICARE, some costs aren't covered. Beneficiaries are responsible for significant deductibles, cost shares, and excess charges — and these costs can add up quickly. A TRICARE supplement helps limit your exposure.

Property insurance protects automobiles, homes, boats, and expensive personal articles. Consider carrying as high a deductible as you can afford — \$500 for auto insurance and \$1,000 for homeowner’s insurance — to keep the premiums more affordable.

Consider using any savings on insurance for a long term care insurance policy. Long term care, sometimes called assisted-living, insurance is intended to care for you or your spouse when you’re no longer able to do so. Medicare and TRI-CARE do not cover long term care — and costs are rising. Most people begin to think about long term care in their 50s, and if they decide to purchase a plan, they don’t do it until their 60s. Keep in mind the younger and healthier you are, the less expensive these plans are. So don’t put off thinking about it, and do your homework.

Bottom line: Don’t be complacent and assume you’re covered with military retirement pay and the Survivor Benefit Plan. Find out which insurance options will safeguard you and your family.

Take Your First Step — With MOAA

MOAA offers a variety of counseling services, online tools, and publications to help you make a smooth transition to post-military life.

Transition counseling and job placement: Widely acknowledged as the best in the business, MOAA's The Officer Placement Service (TOPS) offers public transition presentations, private counseling sessions, résumé assistance, and a unique listing of more than 11,000 jobs through more than 2,000 employers and executive recruiters. Check out TOPS at www.moaa.org/tops or e-mail tops@moaa.org.

Survivor Benefit Plan and other military benefits counseling: MOAA's Benefits Information and Financial Education Department can help if you need guidance or information about your benefits. Call (800) 234-MOAA (6622) or e-mail beninfo@moaa.org.

Life insurance: Retiring officers who “comparison shop” for alternative plans with reliable insurance carriers will find MOAA's life insurance plans are among the very best available. To learn more, call (800) 247-2192, e-mail moaa@marshpm.com, or visit www.moaainsurance.org.

TRICARE supplement health insurance: MOAA's supplemental health care plans are second to none. For more information, call (800) 247-2192, e-mail moaa@marshpm.com, or visit www.moaainsurance.com.

Long term care insurance: MOAA has partnered with the industry leader to offer a long term care insurance program. Check it out by visiting www.moaainsurance.com/long_term_care.html or calling (800) 698-7943. Comparison shop on the Long Term Care Insurance for Federal Employees website at www.ltcfeds.com.

Prepared by the Member Service Center and Benefits Information and Financial Education Department of the Military Officers Association of America (MOAA). Copyright 2010. All rights reserved.

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Cover photo: Sean Shanahan

MOAA MEMBER SERVICES

Benefits Counseling — MOAA's experts provide members with assistance and advice relating to military benefits and entitlements, health coverage, and finances.

Health, Life, and Long Term Care Insurance — Members can take advantage of insurance options that supplement their military entitlements.

Financial Services — You can turn to MOAA for the valuable resources you need to plan for retirement, save for college, and manage your finances.

Legislative Advocacy — Since 1929, MOAA has been fighting to preserve the interests of all military personnel and their families on Capitol Hill.

Military Officer — MOAA's award-winning magazine offers diverse feature articles, reports on legislation, and much more.

Member Discounts — MOAA could save you hundreds of dollars when you take advantage of the special members-only pricing on everything from legal services to your next vacation.

Career Planning — MOAA's award-winning The Officer Placement Service program offers job fairs, résumé help, interviewing and salary-negotiation tips, and more.

MOAA MEMBER SERVICES

For more than 80 years, MOAA has been fighting for the interests of officers and their families. We understand the challenges you face because we're officers just like you, and we're ready to share our expertise and experience. The MOAA library of guides and reference tools is available to help you navigate the challenges that arise at each stage of life.

Survivor Benefits

Preparing for Your Second Career

Financial Planning

National Guard and Reserve Retirement Benefits

Military Retirement

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AND OTHER MOAA PUBLICATIONS, CALL
(800) 234-MOAA (6622) OR VISIT
WWW.MOAA.ORG.**



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May 2010