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VIP

June 2005 Volume III Number I

Ten tips to save you money

Tom Holcom, President, Pioneer Financial Services, Inc.

A report released in 2003 by the Department of Defense and the Rand Corporation revealed that financial difficulties could have significant mission impact, such as requiring an individual to return from a deployment to resolve a financial emergency. According to the study, the typical cause of military family financial problems was simply poor financial management.

For military families, knowing how to successfully manage finances is even more crucial due to the effects of long-term deployments, more restrictive pay scales, and the nature of military life.

There are 10 tips that can help military families take control of their finances, save money, and start down the road toward financial independence.

TIP 1: Set Goals

Before putting a plan into action, figure out where you want to be financially next month, next year, and even decades from now. Start by asking yourself some questions: Have you thought about your finances in detail? Do you have an emergency fund? Is there a plan for making major purchases such as a house or car? Is there a plan for college tuition or retirement?

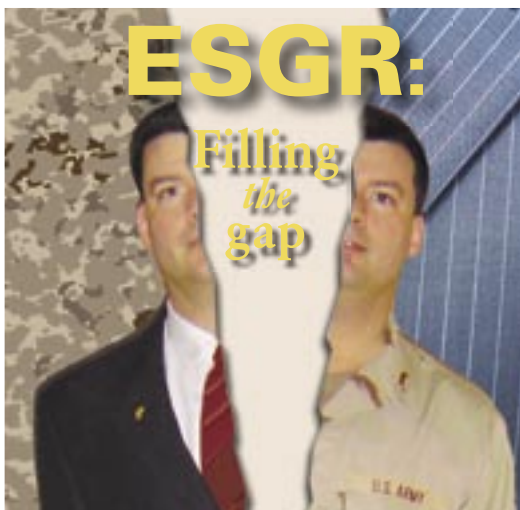
TIP 2: Budget

A key part of a budget is not just making one—it's having the discipline to stick to it. Being realistic is the key. Don't over or underestimate your income or expenses, and be sure to include every regular expense, including those you pay annually, biannually, or quarterly (such as auto insurance).

Tip 3: Pay Yourself First

Once you get to the point where you have a positive monthly balance, put money into a savings plan—the tax-deductible, tax-deferred Thrift Savings Plan offered by the military is a good one.

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Pioneer Services' commitment to the Employer Support of the Guard and Reserve program

Mark H. Wiggins, Director, Public Relations

Balancing the demands of both a civilian and Guard/Reserve career can be very challenging. Employers can help ease the difficulties of the challenges their Guard/Reserve member-employees face through active involvement in the Department of Defense Employer Support of the Guard and Reserve (ESGR) program.

According to Julie Schaller, Chief People Officer for Pioneer Services, fully recognizing and supporting the basic rights of Guard/Reserve member-employees is critical. She says there is more to filling the gap created by an associates'

military leave than just keeping their position open for them.

"We strive to be a military-friendly employer in every way," said Schaller. "Not only for the military customers we help every day, but for our associates who are members of the Guard and Reserve. They are valuable members of our team, which is why we are committed to going beyond the basic legal requirements to help ease their transition to active duty from our associate ranks."

The extra benefits Pioneer Services offers motivated Maj. Richard McNorton, a Regional Manager who recently deployed for a year to Iraq, to nominate Pioneer Services for this year's "Freedom Award," the top national-level ESGR award for employers who demonstrate strong support for their member-employees.

"It's great working for Pioneer Services," McNorton said. "They have taken care of me and my family before, after, and even during mobilization."

Pioneer Services Representatives' unique skills and experiences also bring added value to their military jobs. In the initial stages of his most recent deployment, McNorton said his knowledge and skills as a Pioneer Services Representative allowed him to get some of his Soldier's financial problems quickly corrected in order to ensure that their security clearances weren't affected.

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PIONEER SERVICES FOUNDATION

The mission of the Pioneer Services Foundation is to enhance the quality of life for military families by contributing to community programs and sponsoring organizations that support quality-of-life initiatives. As an advocate for financial literacy, the Pioneer Services Foundation is also committed to many educational initiatives for service members and their families, and supports policies that protect their interests.

The Foundation welcomes Sergeant Major of the Army Jack L. Tilley, U.S. Army, Ret., and Master Chief Petty Officer of the Navy Robert J. Walker, U.S. Navy, Ret., who both recently joined the Pioneer Services Foundation Board of Directors.

For more information visit www.pioneerservicesfoundation.org.



The Real Cost of Borrowing

The myth that low interest rate credit cards (or similar forms of credit) are better choices for consumers than installment loans because of lower interest rates is exactly that: a myth. In fact, the "term" of any loan affects the real cost of borrowing. It is interesting to note that almost

anyone asked believes that a flat rate of \$17 for a \$300 loan is better for a family than a loan with an Annual Percentage Rate (APR) of 34.95 percent. The simple truth is, that for the term of 90 days, they are exactly the same.

Lesson: When shopping around for any forms of credit, don't **just** compare rates. Compare terms, too. Make sure you understand the actual cost of the loan and make the comparison on that basis.



Pioneer Services begins training to help service members with 'Breaking the Debt Cycle'

Amy J. Rosendahl, Public Relations

Pioneer Services Representatives are now more capable than ever to assist service members with reducing their debt and making smart choices with their money by virtue of a new, internal certification process. Newly trained "Break the Debt Cycle Specialists" can now help military families analyze debt, find ways to reduce that debt, and how to minimize debt in the future.

"This certification is just the beginning of a process that we believe will help countless service members get out of, or avoid all together, the crushing weight and downward spiral of bad debt," said Randy McKee, president and senior Pioneer Services Representative.

Pioneer Services Representatives had to learn a number of key concepts to earn the

certification, including the true impact of high credit card debt with minimum payments, how poor savings habits can lead to bad credit decisions, and steps that can prevent future financial problems.



"Having our associates earn the certification is just the first step," said McKee. "The next step is to certify our customers on how to break the debt cycle."

Information on *Breaking the Debt Cycle* will be passed on through a certification process for service members who visit a Pioneer Services office in search of financial education. They will receive instruction and a certificate upon completing the training.

This edition of VIP contains an informational brochure to help you learn more about *Breaking the Debt Cycle*.

ESGR (cont'd)

McNorton says his dual roles as both Pioneer Services Representatives and Soldier are complementary. It may well be that the biggest "gap" isn't his absence from his civilian job with Pioneer Services, but the one created when his military deployment ends.

Pioneer Services is doing its part to establish programs and policies beneficial to Guard and Reserve members and employees by:

- Paying any salary differential for up to two years.
- Paying bonuses in advance of the deployment for bonus-eligible associates.
- Continuing payment for cell phone usage during the deployment if the associate is authorized a company cell phone.
- Setting up video e-mail capability in the home for the spouse/family and paying for their Internet access.
- Assigning a family support coordinator to assist with any issues that may arise.



Pioneer Services has been recognized as a 5-Star Supporter of the ESGR program, and has been nominated for a "Freedom Award" for its treatment of Guard and Reserve employees. For more information on the ESGR program and the Freedom Award, visit: www.esgr.org.

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Mission

VIP's mission is to provide information to audiences who share the vision of improving operational readiness through education and services that enhance the quality of life and financial independence for military families.

With more than 70 years in the financial industry, 26 office locations and online services, Pioneer Services offers financial education programs, loans and insurance products, and supports military families and communities through a variety of partnerships, programs and sponsorships.

Pioneer Services also publishes *WestWord*, a quarterly informational and educational tool for its associates.

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Military Auto Insurance

Randy Freese, Director of Marketing

Pioneer Services Representatives have teamed up with MetLife Auto & Home® to develop a personal auto insurance policy offering special military discounts. “Military Auto Insurance” through Pioneer Services offers a unique set of benefits to help service members reduce risk while also reducing costs.

“We’re excited to be able to offer customers such a great auto insurance product, underwritten by a respected carrier like MetLife,” says Reggie Bethea, branch manager at Norfolk, Va. “This product is a great addition to our product and service offerings.”

Key benefits of this exciting new product include an automatic 10 percent military discount on premiums, an additional 5 percent discount for electronic payment, and up to a 45 percent* deployment discount when the vehicle is stored in an authorized “POV” storage lot.

“Military Auto Insurance” is designed to cut premiums when the service member is deployed while maintaining existing coverage on his or her vehicle. Other insurance providers offer deployment discounts, but many require a reduction in coverage that may leave the service member at risk.

Additionally, some service members decide that canceling their insurance for the duration of their deployment is a better course of action. Our product will allow the service member to protect his or her vehicle from unforeseen incidents while realizing an immediate savings on the cost.

“Military Auto Insurance” launched in late April to service members stationed in Virginia and may be available nationwide at a later date. Service members stationed anywhere in Virginia can respond for a free quote by calling a special toll-free number (1-877-9-ENLIST), visiting the Web site (military-autoinsurance.com) or visiting the Pioneer Services offices in Norfolk and Oceana, Va., for more information.

MetLife Auto & Home is a brand of Metropolitan Property and Casualty Insurance Company and its affiliates: Metropolitan General Insurance Company, Metropolitan Casualty Insurance Company, Metropolitan Direct Property and Casualty Insurance Company, Metropolitan Group Property and Casualty Insurance Company, Economy Premier Assurance Company, Economy Preferred Insurance Company, Economy Fire and Casualty Company, and Metropolitan Lloyds Insurance Company of Texas, all with administrative home offices in Warwick, RI. In some instances, policies are provided by Liberty County Mutual Insurance Company. Coverage, rates, and discounts are available in most states to those who qualify.

* Deployment discount currently available in Virginia only.



Ten Tips (cont'd)

Also, develop a reserve or emergency fund for those unplanned expenses that will hurt or alter your budgeting attempts. Even if you only pay yourself \$20 a month, do so before you spend it on leisure activities or buy something new. Remember that saving money doesn't have to be a complicated procedure—simply having a “change jar” can add up quicker than you think.

TIP 4: Buy used

Did you know that a car loses an average of 20 to 30 percent in value the day you drive it off the lot? A three-year old car with low mileage can save you 60 percent on the price of the car. If possible, pay for the car outright. If you do need financing, be sure it is a short-term installment loan in order to minimize interest costs.

TIP 5: Save on insurance

The average person submits a homeowner's or renter's insurance claim only once every 11 years, and an auto insurance claim every four years. Based on the real risk and the premiums you pay, it can be a lot cheaper for you to have a higher deductible and a lower premium.

TIP 6: Save on groceries

The key factor in keeping your grocery bill down is planning ahead. If you make a list of everything you need at the store before you go you can save real money if you stick to the list.

Clipping coupons is another great way to save money. If you save \$5 a week, you are saving over \$250 a year.

TIP 7: Take advantage of compound interest

Interest computed on an account balance (i.e. a savings account) is a great way to earn money. But when that interest is added to the account, versus returning it immediately to the customer, the interest

itself earns interest. This is the best way to earn money quickly. Just remember to save early and often, and reinvest the interest you earn.

TIP 8: The IRS can be your friend

It is important to look for ways to minimize overpaid taxes. Review your LES for accuracy—many people select the wrong number of exemptions or dependents. If you get a big refund in April you should consider giving yourself a monthly pay increase by altering your exemptions.

There are a number of different tax advantages for service members, so visit a tax professional familiar with the military. File amended returns if you discover prior year overpayments, and if you owe the IRS, don't send the payment until it's due. If the IRS owes you, file early. The goal is to get your money working for you.

Tip 9: Life insurance—planning for financial stability

Life insurance is one of the most important components of your personal financial plan. All service members automatically receive coverage under the Servicemember's Group Life Insurance (SGLI) plan, but you may want to purchase more through a non-government policy, so long as that plan does not have any “acts of war” exclusions.

The question you will need to ask yourself is how much coverage you will realistically need. Don't just add up how much you owe and think it will be enough; you should have enough coverage for your family to replace your income for several years.

Tip 10: Break the debt cycle

When expenses exceed your income, the negative cash flow either reduces savings or creates debt. Either way, you can soon find yourself in a spiral of debt that seems impossible to stop. Whether it's making minimum payments on your credit cards, having to take out a payday loan, or taking your valuables to a pawnshop, being stuck in the debt cycle can cause damage for years to come.

Before taking on any type of debt, make sure it is necessary and, if so, consider how much you actually need. One suggestion is that unsecured debt should not exceed 20 percent of your take home pay. Another way to think about your family's total debt payments is to set a threshold—for example, no more than 40 percent total debt ratio (all debts divided by take home pay). The key is to know how much debt is reasonable and set a plan to give yourself a better chance of making the payments you need to remain financially secure.

Now get started!

While each of these 10 tips can move you closer to financial independence and prepare you for your specific financial goals, it is vital that you start now. Remember to continually educate yourself about your military pay, benefits and tax implications.

One of the best things you can do to keep your finances in order is to learn about your public credit record or credit bureau report. The reason your credit rating is so important is because it determines whether or not you can get credit, and what kind of interest rate you receive. Making sure that your payment history is reported correctly is your responsibility, so make sure to check it at least once a year. You can obtain a free copy each year by visiting www.annualcreditreport.com.

Just remember that if you are having financial problems, you probably didn't get in them overnight. It will take time, a period of adjustment, and a true commitment to making a change in order to fix the problems. But just like anything worthwhile, it will all be time well spent.



Visit your local Pioneer Services Representatives to learn more about these unique services.

Angel Flight
 "Break the Debt Cycle" Program
 Copying
 Credit Bureau Analysis by a Certified Credit Report Reviewer
 Discounted Tuition through Park University
 E-books
 Faxing

Financial Fitness Classes
 The Language of Lending
 Your Credit Report
 Identi-Kid Fingerprinting Cards
 Internet Access
 Kids Piggy Bank Savings Program
 Lending
 Military Mortgages through Bank of Blue Valley

Notary Services
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Pioneer Services Racing 2005 Gets into Gear

For the second year in a row, Pioneer Services is an official sponsor of Team Rensi Motorsports
 Mark Dye, Public Relations

Pioneer Services announces its second annual sponsorship of Team Rensi Motorsports for the 2005 NASCAR Busch Series racing season. There is a new driver, a new crew chief, and even a second car. The promotion began with the March 19, race in Atlanta, Ga., with the number 25 Team Marines and the number 35 McDonald's cars sporting the Pioneer Services logo.

"We are extremely pleased to continue our sponsorship of such an outstanding racing team," said Karen

Von Der Bruegge, chief marketing officer. "We have several exciting opportunities that will benefit service members, including a national sweepstakes, local contests, and trips to races throughout the country."

During this racing season Pioneer Services Racing has sponsored several VIP trips for service members to NASCAR Busch Series races. The first "Pole Position Award" winner was Army Staff Sergeant Roger Allen, who got a chance to enjoy the Aaron's 312 at Atlanta Motor Speedway March 19.

The Pole Position Awards are a nomination process that rewards service members who have gone above and beyond the call of duty. Those who are selected as deserving by their senior leaders will receive tickets to a race and tour the pits and garage area.

"I was very surprised to be selected to attend from Fort Stewart," said Allen. "The whole day was amazing. We were planning to stop and spend the night between Atlanta and Fort Stewart, but we were so pumped up from the day's events that we drove straight back home. Thank you again for an unforgettable day!"

Other "Pole Position Award" winners thus far have included a staff sergeant from Fort Hood, Texas, a Marine from Camp Lejeune, N.C., and a Navy Fireman from Norfolk Naval Base, Va.

The entire Pioneer Services Racing 2005 season includes several different promotions that will benefit service members:

- **Mission to Miami** — The premier promotion, this is a national sweepstakes for military personnel. The winner and a guest will receive a three-day trip to Miami in November during the last weekend of the 2005 NASCAR season.

- **Local "250s"** — Thirteen markets will conduct drawings for \$250 shopping sprees when there are race events nearby. All entrants to local contests will also be entered into the Mission to Miami national sweepstakes.

- **Pole Position Awards** — As previously noted, the winners are selected by senior leadership to reward them for their hard work. They and a guest get to spend a VIP day at the races courtesy of Pioneer Services Representatives.

- **Simulator Show Car** — A NASCAR racing simulator car is scheduled to appear at military installations around the country during the race season. The car is adorned with the Pioneer Service logo on the hood, sides and back.

For more details about all of these promotions, to see pictures from the races, and get a list of upcoming local events, visit the Pioneer Services Racing Web site at pioneerservices.com/racing.



Roger Allen (left), a staff sergeant at Fort Stewart, Ga., and his guest, James Clapp, a retired Army staff sergeant, meet Ashton Lewis, Jr., driver of the number 25 Team Marines car. Allen received a pair of pit passes for the Aaron's 312 at Atlanta Speedway.

