

VIP

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Don't Break the Bank: Affordable Gift Giving

By Mark Dye, Public Relations

Birthdays, graduations, weddings, anniversaries, the holidays...when it comes to gift giving, military families face the same dilemma as most people: how to pay for it. Many times, when people need extra cash to make ends meet or to pay for unexpected expenses, they turn to payday lenders or high-interest credit cards. But with high fees, automatic rollovers and minimum payments, service members can quickly fall into an endless cycle of debt.

Obtaining gifts for everyone throughout the year, without going into debt can be tricky, but it can be done. The key is making the responsible choice now to be in a better financial position in the long run.

- **Plan ahead** – Create a list of everyone who you would like to give gifts to throughout the year, including the holidays, and then figure out a budget. Then, keep the list at all times throughout the year. The goal is to spread out the spending over time, instead of suddenly needing several hundred dollars all at once. It can also eliminate impulsive – and often costly – last minute decisions, and maintains preparedness for unexpected bargains.

- **Make something** – Have kids make something from the whole family. The gift of food almost always draws rave reviews. Or maybe building something with wood or metal is a viable idea.

The goal here is creativity and cost-effectiveness, as well as a personal touch that makes the gift much more special.

President congratulates Pioneer Financial Services

Company named one of 15 recipients of the DoD national Freedom Award

(WASHINGTON D.C., Oct. 14, 2005)

President George W. Bush, Jr., congratulates Tom Holcom, president of Pioneer Financial Services, Inc., one of the 15 recipients of the 2005 Secretary of Defense Employers Support of the Guard and Reserve (ESGR) national Freedom Award. Later in the day, Holcom and the other award recipients also met with Defense Secretary Donald H. Rumsfeld at the Pentagon.

This year's award ceremonies marked the 10th anniversary of the ESGR program. For more information about Employer Support of the Guard and Reserve program, visit www.esgr.org.



- **Consider a group gift** – If family members and others will be purchasing a gift for the same person, consider pooling money to buy a single gift. A small contribution from several people is transformed into a larger gift when leveraging buying power.

- **Do something special** – Offer to spend time with a recipient in a way that is meaningful. For a child, that might be helping build a snow fort after the first snow or spending the afternoon at the movies or in the park. For a grandparent, it might be helping with repairs around the house or planting flowers in the yard. A coupon for free “babysitting” is always a welcomed gift for parents that cannot otherwise get away. Again, creativity is the most important thing.

- **Make a donation to charity** – For those who seem to have everything, giving them one more “thing” won't mean much. But making any size donation to their favorite charity in their honor would be a wonderful blessing and a special way to honor them.

While these tips can be helpful, they won't mean much without financial discipline. So maintain the budget you set out with, avoid those last-minute decisions, and find creative solutions for sometimes-difficult problems. If you do, it'll make the celebrations that much more sweet.



Can you make \$1 million in the military?

Featured in Stars and Stripes, Oct. 29, page 19

By Tom Holcom, President, Pioneer Financial Services, Inc.

Is it possible for an enlisted person in the military to earn \$1 million for retirement at age 65? The answer is yes, if he or she does the right sort of financial planning early in his or her career. Unfortunately, too few are doing so.

According to a recent study by MetLife, almost a third of American workers have not yet started a retirement savings plan, and nearly 70 percent do not have any kind of financial plan, even if they have started saving. The numbers for those between the ages of 21 and 30 are even lower.¹

In the military, financial problems are often the first listed by leaders when asked about personnel problems.² Often, “immaturity, a lack of spending restraint, and naiveté regarding financial matters [are] the most significant drivers of financial problems.”³

If service members began approaching their finances in the same disciplined, responsible way they do a mission or objective, they could find ways to save and become financially fit.

There are four steps service members can take in order to have a stable and successful retirement. While some of the steps may seem easier than others, the keys to all of them are discipline and starting early.

Step One: Write down goals or dreams for retirement

It doesn't matter what plans a military family has for retirement—it is important to write them down. Even though goals will likely change over time, writing them down makes them more real by providing a tangible target.

Step Two: Become a disciplined money manager—define when and how to save

While it's almost never too late to start a retirement or savings plan, the earlier a service member starts the better. The reason for this is the power of “compound interest.” Compounding interest means investing interest earned on an investment back into the account. By doing so the interest earns interest. The power of compounding is directly related to how much money is invested and for how long.—The longer the money has to earn interest, the more money will be there during retirement.

Since military pay is usually below that of the civilian sector, the key to “how” to save involves introducing discipline into financial management. The most basic way to introduce discipline into money management is to simply reduce spending.—But this may be the biggest challenge of all because many people don't realize how quickly \$5 and \$10 purchases add up. For example, if the average annual rate of return is 10 percent, \$6 spent on a

weekly six-pack of beer would turn into \$17,870 in 20 years and \$138,089 over 40 years in a Thrift Savings Plan. The money otherwise spent on beer would be used for a “need” (a secure retirement), instead of a “want.”



Other simple tactics can also help introduce financial discipline:

- **Create a budget** – Know what income you have and what expenses you must pay each month.
- **Track all expenditures** – Keep a written record of everything you buy.
- **Use allotments to automatically deduct savings from your paycheck** – This develops discipline and prevents you from spending it.
- **Use tax-free investments such as the federal Thrift Savings Plan (TSP)**⁴ – This will maximize compounding interest.
- **Set up an emergency fund of at least two months pay** – This will help protect from unforeseen expenses that would otherwise require a military family to use a credit card or take out a loan.

Step Three: List sources of retirement income

There are many ways to have income after retirement: Social Security, interest from investments, and a TSP or 401(k) plan are just a few. While many experts quote ratios of 60 percent to 80 percent of pre-retirement income, retirement spending could equal or exceed pre-retirement income depending on debt, mortgages, medical or insurance costs, and quality of life objectives.

Military families that do not remain in the service long enough to qualify for retirement compensation leave the military with no retirement pay or benefits. Many re-enter the civilian world less financially independent than they had hoped. Those that do retire with pay must remember is that retirement income will only be a percentage of active-duty pay.⁵

Step Four: Put the plan into action

Many people neglect to save and wind up with tremendous debt, poor spending habits, and have to work well past retirement age. It is even more vital for the men and women of the Armed Forces to maintain control over their finances—the last thing they need is to be distracted from their duties by money problems at home.

It is also important to remember that all of the services have formal programs to help families successfully plan their transition from military service. These programs are available at every installation, are staffed with experienced career counselors, and have resources to help plan the transition from active-duty to retired status.

If service members apply the same discipline instilled in them by their leaders to money management, they can develop sound financial plans, adjust them when necessary and, most importantly, stick to them. Doing so can help avoid the debt traps into which so many fall. The key is to do so as soon as possible, because taking action today can help ensure a financially secure tomorrow.

1. *Workers Sweat The Big Stuff—Healthcare, Disability Insurance, Retirement—But Value Vacation Time More*, Dec. 27, 2004, <http://www.metlife.com/Applications/Corporate/WPS/CDA/PageGenerator/0,1674,P250%257ES618,00.html>

2. *Financial Management Problems Among Enlisted Personnel*, 1999, Peter Tiemeyer, Casey Wardynski, and Richard Buddin, RAND National Defense Research Institute, pg. 4

3. *Ibid*, pg. 16

4. For more information about the TSP available to service members visit: <http://www.tsp.gov>

5. *Understanding military retirement pay*, <http://usmilitary.about.com/cs/generalpay/a/retirementpay.htm>

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Mission

VIP is a quarterly publication dedicated to providing financial information and education relevant to the military community.

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.

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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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If you are in the military, then you may be able to reduce your taxes by deducting certain un-reimbursed, job-related expenses, including:

- Cost and cleaning of military battle dress uniforms, including rank insignia, medals, accoutrements, epaulets, and swords, as well as reservist's uniforms if you cannot wear them off duty.
- Moving expenses if on active duty and the move is based on a permanent change of station order (PCS order).
- Travel, some meals, mileage, and laundry expenses if incurred while traveling away from home. For example, to perform authorized drills and training duty. For military travel deductions, "home" is your permanent duty station and may not necessarily be where you or your family live.

Some of the pay you received for military service in a combat zone may have been excluded.

- As an enlisted person, a warrant officer, or a commissioned warrant officer, your entire military pay may have been excluded.
- As a commissioned officer, the maximum amount that can be excluded for a tax year is limited to the basic pay rate of the Master Chief Petty Officer of the Navy, Chief Master Sgt. of the Air Force, Sergeant Major of the Army or Marine Corps plus the amount for hostile fire and imminent danger pay.
- If the wages reported on your Form W-2 include military pay that should have been excluded from your income, you must get a corrected Form W-2 from your finance officer.

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Service members get "tax relief" from Pioneer Services and Jackson Hewitt

By *Desiré Bates, Strategy + Innovation*

Pioneer Services has teamed up with Jackson Hewitt Tax Service® to offer discounted tax preparation to the men and women of the Armed Forces. The \$20-off coupons, redeemable at all Jackson Hewitt locations, will be available to military families exclusively through Pioneer Services' offices and online at www.pioneerservices.com.

"We're always looking for new ways to help service members gain financial independence," said Joe Freeman, Chief Strategy Officer at Pioneer Services.

"By partnering with Jackson Hewitt, we can assist the military community with access to resources, as well as discounts on their tax return filing."

While some service members can get their taxes done for free on their military installation or online, Freeman notes that not all free tax services provide the needed one-on-one consultation with a person that is knowledgeable about military tax deductions and credits.

Jackson Hewitt is the second largest tax preparation service company in the United States. During the 2005 Tax Season, the company had more than 5,400 franchised and company-owned offices in 49 states and the District of Columbia, all providing full-service, individual federal and state income tax preparation.

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Fort Riley Soldier wins "Mission to Miami"

The Pioneer Services "Mission to Miami" national sweepstakes winner was announced Nov. 9 at the "Rally Point" on Fort Riley, Kan., with U.S. Army Spc. John Higgins, receiving his prize award from Annette Brown, manager of the Junction City Pioneer Services office. Higgins, an Infantryman assigned to Fort Riley, and a guest won an all-expense paid three-day trip valued at approximately \$4,000, to the last NASCAR racing weekend in Miami Nov. 19.

For more about the Pioneer Services racing sponsorship visit pioneerservices.com/racing.



The "Mission to Miami" winner, Spc. John Higgins stationed at Fort Riley, Kan., meets Ashton Lewis Jr., driver of the Team Rensi #25 car, Nov. 19 before the Ford 300 at Homestead-Miami Speedway in Homestead, Fla.



On pit road Nov. 19 before the Ford 300 at Homestead-Miami Speedway, Pioneer Services Representative Dave Francisco presents John Higgins, an Army specialist and winner of the "Mission to Miami" sweepstakes, with a Pioneer Services coin in recognition of his service and dedication to our nation.