

VIP

I N T H I S I S S U E

Curing the holiday debt hangover page 2

Pre-deployment checklist for military families page 3

Fort Drum office wins ethics award page 4

Spring 2007 Volume V Number 2

Lending protections could backfire on military families

12th Sergeant Major of the Army Jack L. Tilley (Ret.)

Military families often find themselves trying to cope with personal finances, especially during long deployments. To protect these families from unscrupulous lenders, an anti-predatory lending provision was included in last year's Defense Authorization bill. Known as the "Talent-Nelson Amendment," the linchpin was a 36 percent Annual Percentage Rate (APR) cap on loans to service members and their dependents.

I strongly supported this APR cap, as I have witnessed first hand the detrimental impact to both operational readiness and the financial health of families caused by irresponsible lenders. Military families sacrifice so much and deserve protection from predatory lenders who are willing to sacrifice national security for higher profits.

Unfortunately, several last-minute provisions were inserted into the 2007 Defense Authorization bill that may limit a military family's choice of financial services providers. Many banks, credit unions and responsible lenders have raised concerns, such as with the different APR calculations for military personnel and civilians that will now be required. This could mean some businesses will stop serving military families because of

the greater cost and liability, leading to fewer options for service members.

Another provision would require oral disclosures on all lending transactions to ensure families understand the terms. The problem, however, is that oral disclosures are impractical when it comes to transactions done through mail or on the Internet. Since our highly-mobile military often depends on technology like the Internet, their financial options could be severely limited by this modification.

The most concerning provision would prevent military families from refinancing a loan with the same lender. While intended to stop unnecessary rollovers and prevent a cycle of indebtedness, not being allowed to refinance could prevent getting a better loan rate or cause new fees. My personal experience shows strong benefits to a long-term relationship with a financial institution.

It is important that the Department of Defense and Congress consider these issues before these new provisions take effect October 2007, and find the proper balance between protecting military families from predatory lenders and keeping sufficient lending options open.



About the author

Throughout his 35-year career, 12th Sergeant Major of the Army Jack L. Tilley (Ret.) has held every key leadership position. A career Soldier, SMA Tilley's military education includes the First Sergeants Course and the Sergeants Major Academy, in addition to the Basic Airborne course, Drill Sergeant School and Master Gunner's course. His awards and decorations include the Defense Superior Service Medal, Legion of Merit with two oak leaf clusters, Bronze Star with V Device, Meritorious Service Medal, with one oak leaf cluster, Vietnam Service Medal and Campaign Medal, and a Presidential Unit Citation. SMA Tilley currently works with Pioneer Services as a consultant to help make decisions that positively affect service members and their families. For more information, or to reach 12th Sergeant Major of the Army Jack L. Tilley (Ret.), email jackltilley12@verizon.net

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Curing the holiday debt hangover — now and in the future!

By Philip Vyce, Chief Petty Officer, U.S. Navy (Ret.) and Pioneer Services Military Relations Manager

The winter holidays can be a time of great cheer for many Americans until they find a mountain of bills in their mailboxes. Dubbed the “holiday debt hangover,” Americans incurred \$63.6 billion in credit card debt in 2006, according to Consumer Reports.

I have seen first-hand how difficult holiday debt can be for military families, due to tighter budgets and lower pay than their civilian counterparts. Add in the stress of having loved ones deployed, and I have seen the pressure become overwhelmingly difficult for military families to handle.

There is a cure, however, and there are a few things you can do to not only recover from this past holiday season, but also make sure you don't fall victim next year.

Paying off last year

The average American household charged \$1,100 in 2006 for gifts, according to Creditcards.com, and Consumer Reports noted that, “With the average household saddled with \$9,000 in credit debt already, anything that significantly adds to that ... could be potentially devastating.”

You could shuffle credit card debt from one card to another with a lower rate to pay off some of the debt. But that's just a short-term fix. Even if the balance is moved to a “low-interest” card, it can still take years to pay in full, meaning that you could still be paying for last year's presents several years down the road.

Another way to pay off debt is to get a traditional installment loan, similar to those found at banks or credit unions. While the monthly payments may be a bit higher, it can be a vital part of striking a balance between your monthly expenses (something that is critical on a tight budget) and long-term financial success. You'll also know exactly when the debt will be paid, a benefit that cannot be underestimated.

If your credit card debt isn't that much, see if

there is any way to pay it in full. And if you find yourself between the areas of too much to pay off at once, yet not enough to justify a loan, try your best to pay more than the minimum payment.



One thing consumer advocates suggest you avoid is using some sort of short-term, high-interest option, such as a payday loan. While it may seem quick and easy, it can lead to an overwhelming cycle of debt. The Center for Responsible Lending recently noted that these loans have “annual interest rates in the range of 400 percent” and the “typical borrower ends up paying back \$793 for a \$325 loan.”

Preparing for next year

Once you get your past spending taken care of, follow these steps to get ready for next year's holiday:

- **Plan ahead**—Create a list of everyone who you would like to give gifts to throughout the year, create a budget, and then buy the presents as you find them throughout the year. The goal is to spread out the spending over time, instead of going on a shopping spree.
- **Be creative**—Have kids make something from the whole family. This is cost-effective and adds a personal touch that makes the gift much more special.
- **Do something special**—Offer to spend time with a recipient in a unique way, cook a dinner, or even provide free babysitting. It's cost effective and can be more meaningful.
- **Make a donation to charity**—Make any size donation to someone's favorite charity in their honor. It's a wonderful way to honor them and you also get a tax deduction.

While these tips can be helpful, they won't mean much without discipline and follow through. So maintain the budget you draw up, avoid those last-minute decisions, and find creative solutions for sometimes-difficult problems. Once you do, it'll make the holiday celebrations and the months afterward that much more enjoyable.

About the author

Philip Vyce spent 21 years on active duty in the U.S. Navy before retiring as a chief petty officer. He is currently the military relations manager for Pioneer Services in Hampton Roads, Va., where he serves on the boards of the Armed Services YMCA, is a Task Force Chairman for the Chamber of Commerce, and is active in a number of local military organizations. He is also an Accredited Financial Counselor and a Certified Credit Report Reviewer.

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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, 21 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.



A pre-deployment checklist for military families

By Cliff White, Lieutenant Colonel, U.S. Army (Ret.) and Pioneer Services Regional Manager

As someone who served 20 years in the United States Army, my family and I have gone through our fair share of deployments. I have learned that it is easy to let seemingly “small” details slip through the cracks during a departure. To help smooth the transition, the following is a recommended checklist of tasks that families need to complete before the deployment date.

Financial Tasks

- **Policies and Benefits**—Spend time going over insurance, investments, benefits, and beneficiaries. Also, write down future desires and the location of policy documents.
- **Tax-Free and Hazardous-Duty Pay**—Extra wages provide an opportunity to build up savings or pay off outstanding debt. Decide as a family what you are willing to commit these funds to before deployment—then create a plan and follow through with it.
- **Financial Obligations**—Review your monthly budget and contact creditors to ask about paying bills by allotment, Electronic Funds Transfer (EFT) or online. You may also consider a debt management loan to consolidate many bills into just a single payment to be managed during deployment.
- **The Service Members’ Civil Relief Act**—If your military obligation has affected your ability to pay financial obligations such as credit cards, loans, mortgages, etc., you can have your interest rate capped at six percent for the duration of your active-duty obligation. There are two key parts, however, to consider:
 - » The interest rate reduction only applies to debts incurred prior to active duty service.
 - » You must prove that you have been materially affected by coming on active duty.
- **Direct Deposit**—If you switch institutions, make sure that the new direct deposit is working correctly *before* canceling the old bank account. As a rule of thumb, wait at least one month to ensure that everything is working properly.
- **Bills**—Inform creditors, banks and any investment representatives of the deployment and be sure that all bills are organized, a payment plan is ready, and a power of attorney

is in place if needed.

- **Income Tax**—If deployed when taxes are due, decide in advance how income taxes will be filed. Extensions can be filed through the Internal Revenue Service by filing *Form 2350: Application for Extension of Time to File U.S. Income Tax Return*, available at http://deploymentlink.osd.mil/pdfs/tax_ext.pdf.

Administrative Tasks

- **Defense Enrollment Eligibility Reporting System (DEERS)**—Verifying DEERS enrollment prior to deployment will ensure that your family at home can receive medical care. To confirm enrollment contact DEERS at 1-800-538-9552.
- **ID Cards**—If ID cards expire prior to the end of the deployment, contact the appropriate personnel office to initiate the paperwork.
- **Service Record**—Check for the correct contact information in case of an emergency.
- **Contact List**—Compile a precise list of agencies, businesses, and units that offer assistance to both your family staying stateside and you, in case of an emergency.
- **Staying in touch with home**—Take a voice recorder, stationery, stamps, an address book, and/or e-mail addresses with you when deployed.
- **Red Cross Notifications**—Since the Red Cross is often the most efficient and rapid way to contact you overseas, write down your local Red Cross contact information for your family or visit www.redcross.org.
- **Spouse Relocation**—Contact command with new contact numbers and address if your family will be moving to a new location. If moving off post, housing authorities will need to be notified in advance of the move.

Legal Tasks

- **Power of Attorney**—There are several different types of Powers of Attorney:
 - » **General Durable Power of Attorney**—This authorizes your spouse to act on behalf of you in financial affairs. It can be revoked at any time and is usually effective immediately.
 - » **Health Care Power of Attorney**—This is for when you become incapacitated and are

unable to make medical decisions on your own.

- » **Limited Power of Attorney**—This document is intended to grant your spouse a limited amount of authority with regard to one or more matters.
- **Wills**—The military will assist with a General Will and Testament.
 - » **Living Will**—Either you or your spouse can state wishes regarding future health care in case one of you becomes incapacitated and is unable to share your wishes.
 - » **Ethical Will**—Letter that expresses your feelings on common themes such as personal and spiritual beliefs, values and love. This information is then shared with your family and friends in case of death.
- **Servicemembers’ Group Life Insurance (SGLI)**—Each active duty service member is eligible for life insurance, available in increments of \$10,000, up to a maximum of \$400,000. Before deployment, verify your beneficiaries and make changes as necessary.

Having all of these housekeeping matters resolved can make what is a time of great anxiety and uncertainty much easier. And the effort to organize and manage your legal and financial issues can wind up paying huge dividends during post-deployment as well.

For more information on how the military can help during deployments, visit <http://deploymentlink.osd.mil>.

About the author:

Cliff White retired as a Lieutenant Colonel from the U.S. Army after 20 years of active duty service. He is a graduate of both the U.S. Army Command and General Staff and the Air Force Command and Staff Colleges, and has served in various Armor, Cavalry, and Comptroller command and staff assignments including overseas tours in Germany and the United Arab Emirates. He is currently a regional manager for Pioneer Services, is an Accredited Financial Counselor and a Certified Credit Report Reviewer. For more information, or to reach Cliff White, email cwhite@pioneerservices.com

Pioneer Services wins ethics award from the Better Business Bureau

The Pioneer Services office located in Evans Mills, N.Y., which serves Fort Drum, was recently named winner of the Upstate NY chapter of the Better Business Bureau (BBB) Torch Award for Marketplace Ethics. The following remarks were made by David Polino, president of the Upstate NY BBB, during a ceremony celebrating the award Feb. 28, 2007.



Deanna Halko, manager of the Fort Drum office, with Randy McKee, chief franchise officer, receives the award from the President of the Upstate NY Better Business Bureau David Polino.

“At the Better Business Bureau, we spend much of our time detecting fraud, attempted fraud and unethical business practices. Many companies are denied membership because of these fraudulent practices, unethical advertising, or simply failing to meet BBB standards for business conduct.

“Some ten years back we decided to recognize companies, nationally and locally, for ethical business practices and doing business right, with the ‘Torch Award.’

“It’s so nice to honor a company that works with the military, especially during this time of war while they are in harm’s way and we’re so proud of them. Especially in an industry that has such a suspect reputation with so much fraud and so many poor business practices dealing with finance with the military, it is wonderful to honor a company today like Pioneer Services that does this the right way.

“This company has a great record with the BBB all across the country, and I am so pleased to make the departure from dealing with companies that would take your grandmothers last nickel to honoring a company that really does things right and goes above and beyond even BBB standards of conduct.

“It is a pleasure to come here and recognize Pioneer Services.

“I talked with several of their associates from across their company and was surprised at how well they knew the military and at their dedication to their mission.

“We are here representing our local board of directors and more than 400,000 business members. We know the difference between right and wrong when it comes to business ethics, and I am here to tell you this company gets it right. We’re so pleased to tell the public this!”



(left to right) Fred Davenport; Pam Swan; Randy McKee; Becky King, Fort Drum customer relations officer; Deanna Halko; and Colleen Stouffer, Fort Drum customer service representative

Back row (left to right): Division Command Sergeant Major Ralph Borja; Fred Davenport, regional manager; Pam Swan, military affairs officer; and Randy McKee
Front row (left to right): Mrs. Nguyet Borja and Deanna Halko



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