

I N T H I S I S S U E

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# VIP

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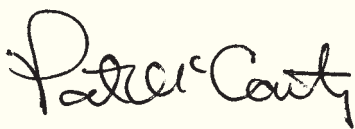
An educational and financial newspaper for the military

Welcome to the first edition of the Pioneer Services V.I.P. (Very Important to Pioneer) Newsletter.

Pioneer Services Representatives only serve active duty and career-retired military members. This newspaper is intended to help educate and inform on a variety of topics, including consumer finance, insurance, and other unique services that are offered exclusively to the military community.

We hope that you find this newspaper informative, educational, and relevant to the needs of a military service member. We will continue to create innovative and unique ways to serve you and your family. Congratulations! You are now on your way to financial freedom.

Sincerely,



Pat McCarty  
President

REPRESENTING



## Living out your dreams and within your means

Let's face it: You want a lot of things in life. Some of them you may actually need. But trying to get the things you dream about could drive you into debt... unless you have the "money smarts" to become financially fit.

Financial fitness is a condition that is just as challenging and difficult to achieve as ideal physical fitness. Each one of you is well aware of the lengths the military has gone to in order to get you into prime physical condition. It requires that same type of commitment and persistence for you to gain the knowledge necessary to make the right decisions about the things you want, and yes, even need.

Of course, it would be nice if we could all take the attitude expressed in the lyrics of a Sheryl Crow song: "It is not getting what you want; it's wanting what you've got." But that's not reality. In fact, the reality is that most people go out right away and get the CD stereo system, big screen TV, motorcycle, or sports car they so badly wanted, only to quickly find themselves in a deep financial hole. Like the well-known poet E.E. Cummings once said, "I'm living so far beyond my income that we may almost be said to be living apart."

So what can be done to avoid living beyond your means, while still living happily and comfortably? You can decide to become financially fit by learning all you need to know about money and finance.

With the right information, you will be able to make the right decisions about your income, budget, and purchases, without fear of financial failure.

### Financial freedom is a choice for you to make.

You decide. You can go out and buy all the things you want today... become frustrated about your finances... worry about bills... run out of money before you run out of month... and agonize about how you'll ever get out of the hole you've dug... OR, you can stop, wherever you are, and gain some knowledge.

Your Pioneer Services Representatives are proud to make available a series of financial fitness videos — each only about 20 minutes long — and workbooks to help you get a great start on your financial future. These educational tools can help you answer most, if not all, of the questions you've had in the past, for example: What is this document I'm signing? How do I figure my debt ratio? Is interest rate the same as APR? How do terms affect my total payout? What is an application fee? What is a prepayment penalty? How do I establish credit? How do I "fix" my credit? What's the difference between a secured and unsecured loan? Are all credit cards, banks, credit unions, or loans the same?

When you're through, you'll know how to compute your debt ratio to understand if you can afford what you've got your eyes on. You'll understand the language of lending, so you can make good decisions about where to do your financial business. You'll be better prepared to budget your money, save for the future, save for emergencies, and ultimately, take that vacation, buy that car, or make that purchase, knowing that you can really enjoy yourself and not have to stress over debt.

By the way, today is not a moment too soon to start down the road to financial freedom!



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We Think You Deserve More Than a Little Credit For Serving Our Country

To find out more about the Financial Fitness Education Series, call 1-800-367-5626, or go to: [WWW.ASKPIONEER.COM](http://WWW.ASKPIONEER.COM).

# VIP Spotlight

Recently, we interviewed retired Master Chief Petty Officer of the Navy Robert Walker and retired Sgt. Maj. Lonnie Long about their views on working with Pioneer Services Representatives and on consumer finance issues. The responses below are excerpts from that interview. Collectively these two gentlemen have nearly 65 years of experience leading and educating Sailors and Marines.

## After retiring, you could have done anything you wanted. Why did you choose to work with Pioneer?

**Bob:** It was Pioneer's financial education program that impressed me most. Working with commanding officers, I understand there's a definite need for financial education because of the high debt we see many of the personnel carry. The education program Pioneer offers is simple. It's easy to understand, and the information stays with the individual via videos and literature given during classes. The importance Pioneer places on financial education for ALL military service members, regardless of rank, made me want to be a part of it.

**Lonnie:** I was really impressed with Pioneer's mission statement: "to treat every military family in such a memorable way that they tell someone how great it was." And Pioneer follows through with programs such as their financial education classes.

## What is the biggest obstacle military service members face in becoming financially educated?

**Bob:** You can compare it to PT training. At one time, PT training wasn't as prevalent in the Navy. Today, it's much more common. You can apply the same approach here by requiring

each individual to be educated about their finances, so they won't have such a high debt load. The less they have to worry about financially, the better they are at their job.

**Lonnie:** DISCIPLINE. The military lifestyle is based on discipline. If a service member is told what to do, he or she will do it. If they are required to get educated, they'll get educated.

## What kinds of changes have you seen in consumer finance since you first began your military career?

**Lonnie:** When I was younger, there were only two options to which leadership would direct you. Everyone else was off limits; you didn't talk to them. Today's personnel aren't so shut off from the finance world, and they have many more choices.

**Bob:** When I joined the Navy, military pay at that time didn't allow much for saving. Am I ashamed that we weren't able to save, especially with six kids? No. Both my wife and I would have loved to save even \$10 a month, but there just wasn't money to spare. Today things are different.

## Money management. What are the steps military service members should follow to become good at it?

**Lonnie:** Money management requires the same discipline that enlistees and lifers apply to their military career. It involves three basic steps: (1) determine what you're worth; (2) set your goals; and (3) know your compensation. When you can determine what you're worth today, understand what that means to you, know what you're going to be compensated, plus know how to invest a portion of that income, you'll have come a long way toward reaching financial independence.

**Bob:** I'd add that there also needs to be a partnership with their spouses as well. Money management and saving needs to be just as much a priority to the spouse as it is to the military service member. When this happens, they'll be successful at managing their money.

## Some consumers may perceive Pioneer as an "outside-of-the-gate" company. How are you convincing them that it's not?

**Bob:** I emphasize that Pioneer has been in business for 70 years and that they specialize in serving the military community. They care about the welfare of these families. That's why Pioneer Services Representatives actually turn down loans. Pioneer recognizes that some military service members shouldn't be seeking a loan. But even if Pioneer doesn't approve them, they will offer help to enable the individual to get back on the right financial track.

**Lonnie:** You could put a company inside the gate, and no matter what they do, they're inside the gate and that makes them O.K. Put them outside of the gate, and the military will be suspicious of them. I tell everyone that the only way to get rid of this perception is to educate people. Pioneer puts military families in a position to learn about their finances and gives them the opportunity for financial freedom. And of course, the no-pressure business tactics Pioneer uses also helps.

## What is the single, most important piece of advice you give new military service members?

**Bob:** START SAVING TODAY! Whether it's \$10 or \$100 a month, just getting started and remaining consistent with their savings program will lead to tremendous benefits toward their retirement.

**Lonnie:** I absolutely agree with Bob. But I like to use the word "invest" instead of save. No risk, no reward. Military service members need to invest a portion of their income first and then use what's left as disposable income.

# Learning to Borrow on Your Terms

By Tom Holcom

A fact of life is that we all need to borrow money from time to time. But before you're caught in a financial crisis, it's worthwhile for you to learn how to accurately evaluate various lending options. Why? Because all loan options are not the same. In the haste of the moment, when you're desperate for cash, you may not be paying enough attention to what a loan is really costing you.

**Let's look at an example.** Say you need \$300 right away, and there are no friends or family members available to lend you the money. Instead, you need to consider other short-term loan options such as a credit card cash advance, a signature loan from a bank or credit union, or a cash loan from an instant check-cashing store or payday loan operation. How do you know which option is best? The answer is not so simple, because there are lots of factors that play a part in the decision: availability and likelihood of approval, convenience, disclosure, confidentiality, and of course, whether the loan is fairly priced.

Assuming that all sources can and will lend you the money; are convenient to you; provide complete lending information; and agree to keep your transaction confidential, that leaves the critical criterion of price. Price in this case refers to the cost of financing.

One common evaluation method of cost comparison is Annual Percentage Rate (APR), so that's what we'll use in this example.

**The ABCs of APR.** APR is a standardized formula for determining loan costs, introduced for the protection of borrowers by the Consumer Credit Act of 1974. Today, APR disclosures must comply with the Truth in Lending Act and Regulation Z, which means the total cost of a loan must include interest charges, loan fees, and points (one point is equal to 1% of the principal loan amount).

Going back to our example of borrowing \$300, let's say that you've met with a lender who will loan you the money for a \$20 origination fee and no interest. Is this a good deal? Well, if you had written a bad check instead, the bank could have charged you \$30 or more for insufficient funds. Seems pretty good by comparison. A credit card cash advance would have cost you a \$5 fee plus monthly compounded interest. Still pretty good. Even an ATM withdrawal of your own money (if available) often has fees of \$2 to \$10. Based on these factors alone, the cost seems fair. Now let's evaluate based on APR by looking at the table below.

## Effect of Time on APR

1 week	346.7%
1 month	80%
3 months	39.6%
1 year	12.1%
5 years	2.5%
30 years	0.4%

The first thing you notice is that the longer the period of time you're given to repay the loan, the more economical the rate becomes. If the lender's terms are that you pay back the loan in one week, then the effective cost to you is 346.7%. On the other hand, if you are given a full year to repay the loan, the cost is only 12.1%. Quite a difference. This example clearly demonstrates the effect that the term of the loan has on APR. The fee of \$20 never changed, but the APR changed drastically.

Although evaluating short-term borrowing costs using APR can be misleading, using APR to evaluate long-term loans is very effective. Here's why:

Rate Pts	3yrs	5yrs	7yrs	10yrs	15yrs	30yrs	
8.5%	1.5	9.53%	9.15%	8.98%	8.85%	8.75%	8.66%
8.0%	3.5	10.44%	9.52%	9.12%	8.82%	8.59%	8.38%

If you were to compare a home loan from different lenders with two different rates and origination costs, you would discover something very interesting. Referring to the table above, if you only planned on being in the home for three years, the higher interest loan (8.5%) plus points is actually "cheaper" at 9.53% than the lower interest loan (8%) plus points, which is 10.44% at three years.

The bottom-line message? You can't just focus on rates and fees alone in determining the real cost to you, especially borrowing over a shorter period. The term of the loan must also be considered. You would discover that the \$300 loan for two weeks at a cost of \$20 may be a good deal if done once and why that same loan renewed biweekly for 12 months is not such a good deal.

Therefore, when faced with having to borrow money, be sure to ask the right questions, insist on full disclosure, and weigh both APR and effective terms to properly compare loan benefits and prices.

*Mr. Holcom has over 35 years of experience in the financial services industry, helping customers learn and understand how to become financially fit. He serves as President of Pioneer Financial Services, which exclusively serves military families around the world. For more information, go to: [WWW.ASKPIONEER.COM](http://WWW.ASKPIONEER.COM).*

# Going Home Richer

By Christel Gollnick

What 23-year-old Kori thought would be only a couple of days in the hospital, ended up being two months. Kori was working her Army job in computer supplies at Fort Riley, Kan., when her body told her, nearly four weeks too soon, that her baby was ready to enter the world. Expecting delivery complications, Kori was immediately flown by helicopter to the University of Kansas Medical Center in Kansas City for more specialized medical help.

In the meantime, Kori's mother, Joan, who lives in Houston, Texas, wasn't planning to travel so soon to be with her daughter during this life-changing event. She thought she'd have several weeks to prepare for her new grandchild. Luckily she was able to get her airline ticket changed to rush north.

On March 9th, Kori delivered a beautiful baby girl, Skylar. There was just one problem. Skylar was born prematurely with gastroschisis, and her insides were not where they were supposed to be. Within minutes of her birth, Skylar experienced the first of four surgeries to correct the problem.

The birthing process was difficult for Skylar, and it wasn't easy for Kori either. After a month of recuperation, the new mother was finally healthy enough to be released from the hospital. Skylar, however, still had several weeks in the intensive care unit ahead of her.



Knowing that once Skylar was ready to travel they wouldn't have much advance notice to purchase affordable airline tickets, Kori added the worry of paying for transportation home to Houston to her many other concerns. Her military pay and



New mom, Kori and Skylar with grandmother, Joan.  
photo provided by Angel Flight Central

insurance wouldn't cover the cost of travel, and she wasn't sure how much their ongoing medical bills would be.

That's when Kori's mother was given an Angel Flight brochure. They spent some time reading about the volunteer pilot organization and apprehensively decided to call.

"We didn't know if we qualified," says Kori.

The new family was accepted as passengers. "I know it took a lot to pull everything together for us in just a few days," says Kori. "We really appreciated the help."

The time to go home finally arrived. Skylar's doctors and nurses sent the family on their way with many heartfelt hugs. Once they safely delivered the group to the steps of the volunteer pilot's airplane, it was decided that fast-moving thunderstorms would not allow them to fly all the way to Houston and back that day. Instead, the pilot flew to the Kansas City International Airport and generously purchased airline tickets for them.

After recounting their experience with Angel Flight, Joan says, "I'm going home a richer woman. Angel Flight is the icing on the cake. We are so thankful for your help!"

*Christel Gollnick is the Angel Flight Central Executive Director. For more information about Angel Flight in your area, please contact your local Pioneer Services Representatives.*

## Financial Independence Requires Money Management

By Rick Katz

Research shows that individuals who have the ability to create their own financial independence always have two characteristics in common. First, they put themselves in a position where opportunities are presented to them; and second, they are also quick to take advantage of those opportunities. Few individuals create enough wealth to fund their retirement through a paycheck or, for that matter, through some windfall investment. Real, sustainable financial freedom is created over time, using money management strategies that include the principles of compounding, deferral, cost-of-waiting, and time value of money.

**Without saving, the odds are stacked against you.**

According to the U.S. Department of Labor, a mere 5% of individuals will create the wealth necessary to sustain their retirement. The key to building wealth is to start saving early. It takes \$10,000 a year (\$250,000) at age 40 to accumulate approximately \$1 million by age 65. Beginning at age 24, it takes \$2,000 a year (\$82,000), and at 18 years old, it only takes \$2,000 a year for 8 years (\$16,000). The rest is accomplished through the compounding of interest. So as you can see, there is no substitute for starting a savings plan early.

**Through compounding, financial freedom is just a matter of time.**

To illustrate this further, let's take a look at an example called "the penny trick."

Joe received \$500,000 at the end of the month of June. Tom was offered one penny on the first day of June. But Tom's penny would double each day for the entire month of June. Who is better off?

At first glance, it seems that \$500,000 would be more advantageous. However, if you calculate it, you'll discover the pennies doubling each day would generate over \$5 million by the end of the month! If you use the month of February (28 days) instead of June (30 days), the amount would only be \$1.35 million. This is the difference two days make. Use the month of December (31 days), which is one day longer, and the amount grows to nearly \$11 million! Of course this is just an exaggerated example used to effectively illustrate the power of compounding over a long period of time.

**Be aware of the burden of taxes.**

Many factors play a role in your savings program. These include inflation, market risk, taxes, timing, and more. But did you know that income taxes (or similar taxes) are potentially the most harmful yet also are surprisingly manageable? As one of the certainties in life, taxes will always have a profound effect on your savings effort.

Using the penny trick example again, if you added an 18% income tax rate, the pennies disappear substantially. Instead of having over \$5 million in 30 days, you'd only be left with \$348,394. This shows you the severe and negative impact taxes can have if you do not plan for them.

**What are the lessons that can be learned?**

The road to financial freedom is a challenging one. But a comfortable retirement is attainable if you apply a few basic strategies. For instance, starting to save sooner is better than later, and avoiding or deferring taxes is better than being completely exposed. When you start your plan is not only important, but also critical in achieving your aspirations. The cost of waiting can be insurmountable.

Your planning also should maintain your funds in such a way that they can be accessed if opportunities come along. These rare opportunities can often make the difference between earning a little or a lot. Be in a position to seize the moment. Manage your credit so you can leverage opportunities at the moment they are presented.

Life insurance is one investment that can create an instant estate for your family (tax free) exactly at the moment they need it most. The right amount can guarantee the financial freedom of your family for generations. Now that is a legacy!

*Rick Katz is Chief Insurance Officer representing Pioneer Services. He has over 25 years of experience in the industry, successfully helping clients invest in their financial futures.*

## SUCCESS STORIES

### A military service member was seeking a loan

to help cover emergency expenses for a family member. But he didn't qualify for additional funds because he already had a loan filed with Pioneer. The local Pioneer Services Representative insisted on providing help, in whatever way possible. He asked the military service member to return to the office the following morning. When the military service member came back the next day, the Pioneer Services Representative greeted him with \$850 in cash - monies the Representative had personally collected from AUSA, UAFA, the Enlisted Spouses Club, as well as personal contributions.

### A senior chief asked Pioneer Services

Representatives to help get one of his sailors to his next duty station. He said the sailor was supposed to already be at his next station but lacked the funds to purchase a plane ticket. He also said he'd been trying for several days to think of a solution. In less than 30 minutes, the sailor's loan was approved at an interest rate he could afford. The sailor walked out the door with a check in hand and the knowledge that he would now be able to get to his next duty station.

### While applying for a loan, a husband and wife

discovered their credit report included a mortgage account neither one of them had opened. The couple stated they had never seen a copy of their credit report. A Pioneer Services Representative recommended they obtain a current copy to

dispute any further incorrect information. She also showed them a video from Pioneer Services' Financial Fitness Education Program. When the husband and wife left, they had enough money to make a down payment on a new car, had enough money to pay off some credit cards, and had a better understanding of their credit report.

### A young Marine with his wife and daughter

walked into the Camp Pendleton office on a Saturday morning. He was clearly distraught as a Pioneer Services Representative asked how she could assist him. The Marine informed the Representative he needed a Bereavement Loan. Having just moved off base the previous night, the Marine lacked the funds to purchase airline tickets for his family and himself. Since it was the weekend, Navy Relief could not be contacted to assist with this emergency. The Representative was determined to help. She had the funeral home contact the airline so the family could qualify for a bereavement discount on their airline tickets. She made flight arrangements at a cost the Bereavement Loan could cover and even used her personal frequent flyer miles to purchase one of the tickets. She worked with the captain and the staff sergeant from the Marine's unit in order to get the proper leave forms filled out. The Marine and his family left the office and were on a plane that same evening thanks to the quick thinking and perseverance of the Pioneer Services Representatives.

UNIQUE SOLUTIONS...



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## Visit any of the Pioneer Services Representatives to learn more about these unique services.

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\*These services available at participating locations.

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# 70 Years of Dedication

Our legacy began 70 years ago when William J. Sullivan founded our company. At the time of this country's Great Depression, his vision, commitment to niche markets, and entrepreneurial spirit created the backbone of our philosophy: find a niche, listen to the voice of the customer, satisfy his or her needs with an excellent product, and employ people with a real desire to serve the customer.

Now in its eighth decade, the company is committed to serving U.S. military families around the world with *Unique Solutions for Financial Freedom*™. Military Service Centers are located near 26 major military communities, including those in Germany. Over 80,000 active and career-retired families are currently customers, and we have helped more than 500,000 military families in the last 20 years.

Our company is committed to being a military community ambassador. We understand the special and unique demands of the military community and invest heavily to create our "financial fitness" product line and educational services. Pioneer Services creates financial plans with credit care and counseling plans, with explanations of credit bureau reports, as well as plans that educate the client on the value of compound savings and estate planning. Many of our associates have military backgrounds and every effort is made to employ retired service members or Armed Services' dependents. Many of our Pioneer Services Representatives are retired senior non-commissioned officers, and most of our associates are active participants in the events and lives of the military communities they serve.

In October 1999, Pioneer instituted the "INVEST IN DEFENSE" e-mail campaign designed to encourage customers and the public to communicate with presidential candidates. This e-mail forum conveyed the importance of maintaining a strong, well-equipped military force to defend the nation and national interests. It also asked candidates to make national defense a significant campaign platform. Pioneer implemented a similar program "OPERATION PAY RAISE" for more than a year and helped promote the recent 4.8% pay increase to military service members.

Over the past three decades, Pioneer Services Representatives went beyond the call of duty for customers and non-customers to create numerous quality-of-life initiatives. The company has lobbied against military pay garnishments; discontinued collection efforts for military service members in Operation Desert Storm; supported families of P.O.W.s in Bosnia; initiated financial tools and incentives for kids, including a reward program for "A" and "B" grades; sponsored an ice cream celebration in Somalia; supported Angel Flights for military families needing free medical flights; and many other unique and compassionate services. Pioneer Services Representatives believe that actions speak much louder than words.

Pioneer now offers many FREE or COMPLIMENTARY services: notary public, voter registration, financial fitness training, tax forms, living wills, auto insurance quotes, credit bureau analysis, copies, faxes, and internet access; and lifetime e-mail

accounts will be available soon. Pioneer Services Representatives also offer access to discount health care cards, roadside assistance, savings and insurance plans, as well as access to loan products. Our goal is to provide *Unique Solutions for Financial Freedom*™ and back them with our 4-Star Guarantee Program.

On behalf of the associates spanning 70 years of service, we say THANK YOU for the opportunity to share this rich tradition, and we look forward to continuing this journey for decades to come.

William D. Sullivan - Chairman

