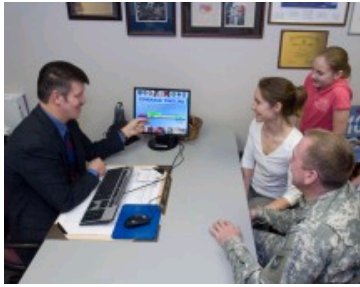


Leaving the Military: Thinking About Insurance, Pensions, and Education

DMN Q & A with Kiplinger's Magazine's Kimberly Lankford; Part 2



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Wisconsin National Guard transition assistance advisor Jeff Unger counsels a National Guard captain and his family at his office in Madison, Wisc., April 4, 2007. National Guard Bureau photo

Leaving the military for a new civilian career can be exciting and rewarding, financially and otherwise. But active duty service men and women should be clear-eyed about the financial benefits they lose when they transition to life outside the military. In this second part of our interview with [Kiplinger's Personal Finance Magazine](#) contributing editor, Kimberly Lankford, we discuss the impact of leaving the military on insurance, pensions and retirement financial planning, and education benefits.

A large portion of service personnel joined immediately following high school or college. That implies their decision-making experience regarding civilian career and financial questions is limited – another aspect that must be anticipated upon leaving the military.

That's true. Many service people have never had a civilian job. Not only have they not had to

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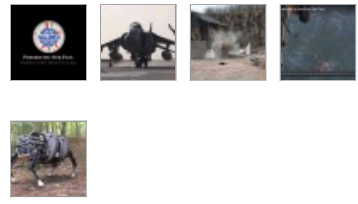
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assess the differences in benefits between a military and civilian job, but the challenge of comparing several jobs, weighing five or six options. There's more analysis involved figuring out the best option among several. A lot of service people haven't had to go through that before.



Do military members take life insurance at higher rates than their civilian counterparts and do they continue with it after leaving?

Theoretically, military life insurance participation should be high because it's one of the least expensive life insurance options you can get. I always advise that service people max out their SGLI [[Service Members Group Life Insurance](#)] before getting additional insurance. It's \$312 per year for the maximum \$400,000 death benefit which is a great deal. In the civilian world you'll face wider variations depending upon your health and your family's health. Above all, look at those costs in the marketplace before you leave the military. Another key point is that you can switch your SGLI to Veterans Group Life Insurance regardless of your health but it can be much more expensive than buying coverage on your own if you are healthy. Don't just assume it will be the best deal.

Kimberly Lankford

And on the health insurance side civilians are responsible for at least some sort of contribution. That's something active duty people generally don't deal with.

Yes. If you leave before 20 years, you'll have to figure out what to do about health insurance. Many think that if they get a civilian job wherein their employer provides health insurance, it's pretty much the same. But nearly all employer-provided health insurance requires you to pay part of the premium yourself. The average group employer health insurance plan costs \$15,000 per family and about \$5500 for individuals. Employers generally pay 60 to 80 percent of the cost. You'll pay the remainder of the premium yourself as well as deductibles and co-payments. You need to be aware of those out-of-pocket expenses which you haven't paid in the past.

You point out that departing service members can sign up for the [Continued Health Care Benefit Program](#) [CHCBP] for up to 18 months after leaving.

It's similar to life insurance. If you have medical issues or a hard time finding health insurance on your own, it's an option. If you have employer-offered health insurance, that's usually a better bet. If you're relatively healthy, buying your own coverage is a better deal in most states. Make sure to check this out before your [CHCBP] eligibility expires.

Are there military-sponsored financial planners available to service people who are leaving?

There are. In your military community benefits office there are usually financial planners who can help you. They're focused on members of the military. There are civilian financial planners who may be wonderful experts but may not be familiar with military options and benefits. A lot of the planners at your community benefits office will have transition resources available and may be doing seminars at certain times of year when large numbers of people are leaving the military. Make the most of these resources before you leave.

You talk about calculating whether staying in is worth it or not if you're nearing the 20 year mark. (A pension is usually worth up to 50 percent of your base salary if you retire at 20 years.) What are the factors that enter into that calculus?

The pension decision is different for military members than civilians. They are getting the [military thinking about insurance pensions and education](#)



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[pension] payout right away. However, there is no partial vesting – if you leave the military before 20 years, you'll get nothing. If you're close to the 20-year mark, calculate whether it's worth losing the pension to take a new job. I wrote an article in [Kiplinger's] focusing on a reader who was nearly at 20 years and knew he was going to stay and get some pension. But he was deciding whether he should leave then or stay for 30 years.

The calculation is not just what the payout will be based on 20 years versus 30. If you leave at 20 years, you're receiving that pension for 10 more years than if you leave at 30. You need to look at that differential when considering civilian job opportunities. You can use DoD's Military Compensation page [www.militarypay.defense.gov/Retirement/] for more information about your pension options based on when you joined the service. Wait until just a few years before you're pension eligible to do the calculation. Say you've been in for ten years. You don't know what's going to happen to [pension benefits] in the next ten years. That's why it's important to have supplemental savings in your Thrift Savings Plan.

Education benefits have long been a perk of military service. Can they be taken with the service member upon leaving?

Yes. Service members and veterans [and their spouses] must use the benefits within 15 years after leaving the military. Active duty personnel can also transfer [GI Bill benefits](#) to their children. The benefit currently covers the cost of in-state tuition and fees at public colleges for up to four academic years [or up to \$17,500 per year for private colleges and foreign schools], plus a housing stipend and money for books and tutoring. We've done this personally. My husband is in the Army and coming up on over 17 years now. We transferred his GI Bill benefits to my 9 year old son. The key thing is, you have to serve for quite a while, at least six years, and agree to serve for four additional years. If you're retiring between 2009 and 2013 there's a slightly different calculus. It's a great deal. A lot of people in the military have already paid for their education, maybe even grad school. They may not need the benefits themselves. But transferring the benefits to our child has been a huge relief for us because we know we have a big head start on my son's college expenses. Take a look at the website www.gibill.va.gov.

For further information, Kiplingers.com has a special report for military families and a financial field manual authored by Lankford that has been distributed to U.S. military bases globally. They can be seen at: www.kiplinger.com/reports/military-families and www.kiplinger.com/money/military/pdfs/Military_Families_Final.pdf

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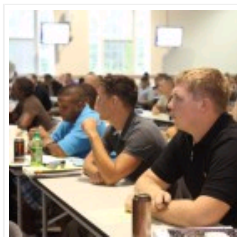
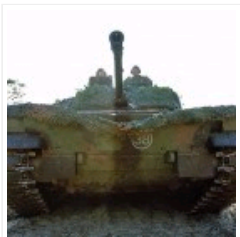


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