

## FINANCIAL TIPS FOR FAMILIES OF ACTIVATED MILITARY PERSONNEL

Reservist and National Guard families whose loved ones have been activated for duty in Iraq or other distant lands face not only separation but often financial hardship as well. A survey by the Department of Defense for Reserve Affairs found that 31 percent of families saw a decrease in income when a husband or wife was called up.

But military families can prevent or minimize financial difficulties through careful money management and by learning the special financial rights available to them when their loved one is summoned for duty.

First, if activation has not yet occurred, you can take several steps to minimize the financial impact of a future call-up:

- Save enough in an emergency fund to cover essential costs such as housing and food for at least several months. Other sources for emergency money include a home equity line of credit or a loan from life insurance cash values.
- Prepare a realistic post-activation budget. It will allow you to better prepare for cuts and motivate you more to build up savings.
- Families of activated personnel are allowed to shop at any nearby military base stores, where goods and services are usually less expensive.
- Determine eligibility for the military health program, TRICARE.
- Move to on-base housing if it's available.
- Reduce debt. Credit-card and other consumer debt can be financially devastating if the family faces a serious decline in income.
- Avoid off-base payday lenders, which can increase family debt.
- Designate someone in advance to manage the household finances and be sure they are up to speed with the finances before leaving. Single-parent families, or families where both spouses are called up, will need to rely on a relative, friend or professional help such as a bill-paying service or financial planner.

Whether your family already has someone on active duty or may soon, be aware of the many special financial rights that may be available to you.

Activated reservists or National Guard, or deployed regular military, are generally covered under the recently enacted Service Member's Civil Relief Act, which strengthens the original 1940

Soldiers' and Sailors' Civil Relief Act. Key rights include:

- Prevention of eviction from rental property when rent is less than \$2,400 a month (indexed for inflation)
- The ability to break a housing or auto lease
- Temporary stays of civil proceedings such as bankruptcy, foreclosure or divorce
- The ability to cap interest rates at six percent on pre-existing loans, such as credit cards and mortgages. But you must notify the lenders in order to get the cap.

Another key law to become familiar with is the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). USERRA provides certain rights to employees who must leave work because of a call-up. Among those rights:

- Employees must get back the position they held or would have held (such as through seniority) if they had not been called up, though the employer can have some legitimate reasons for not rehiring, such as an elimination of the position.
- This rehire right supersedes the right of any replacement hire.
- The employee's family can continue health coverage under the employer's group plan, though they must pay for the entire cost of the coverage (known as COBRA). They're guaranteed this coverage even if they join the military health program.
- Military time served counts toward vesting for retirement plans, and the employee can make up missed retirement contributions after returning to work.
- The employee is protected against arbitrary firing after returning to work.

Employers are not required to pay employees during their active duty, though the majority of employers cover some or even the entire gap between the employee's military pay and their civilian pay.

Activated and deployed military personnel receive special federal tax breaks. Military income earned by soldiers in combat zones is tax-free and they don't have to file taxes until 180 days after their return. They also get an extension on the home sale rules that give one a tax break on the profits from the sale of a home. They're also entitled to tax breaks on childcare assistance and certain travel.

For additional information on tax breaks, rights, financial assistance and financial planning, families should contact military support offices, their financial planner or family support Web sites such as [www.nmfa.org](http://www.nmfa.org).

May 2004— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by local member Bill Rodau, MS, MBA, CFP® at *Creative Financial Services*, 262-820-0870, [www.cfsfeeonly.com](http://www.cfsfeeonly.com). The column is provided for your general information only and you should contact this planner or other professionals for specific advice regarding your unique situation.