

# How to Get Rich Slowly in the Military

Spencer

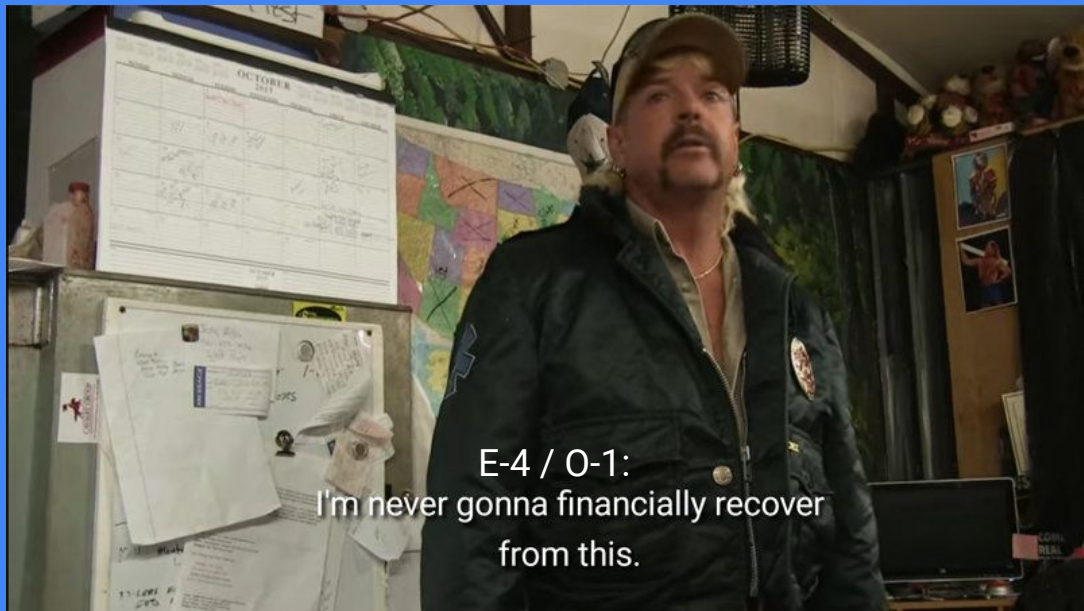
# What's the point of this briefing?

- A very brief introduction to personal finance, investing, and achieving your financial goals.
- There is no formal financial literacy education in the US.
- 40% of Americans could not cover a \$400 emergency expense without carrying credit card debt or borrowing from a friend/family member.
- Through financial education, you can build the life you want
- Flight pay, per diem, and tax free deployments - don't waste it!

Try to avoid this...



**36% APR**  
**\$0 Down!**

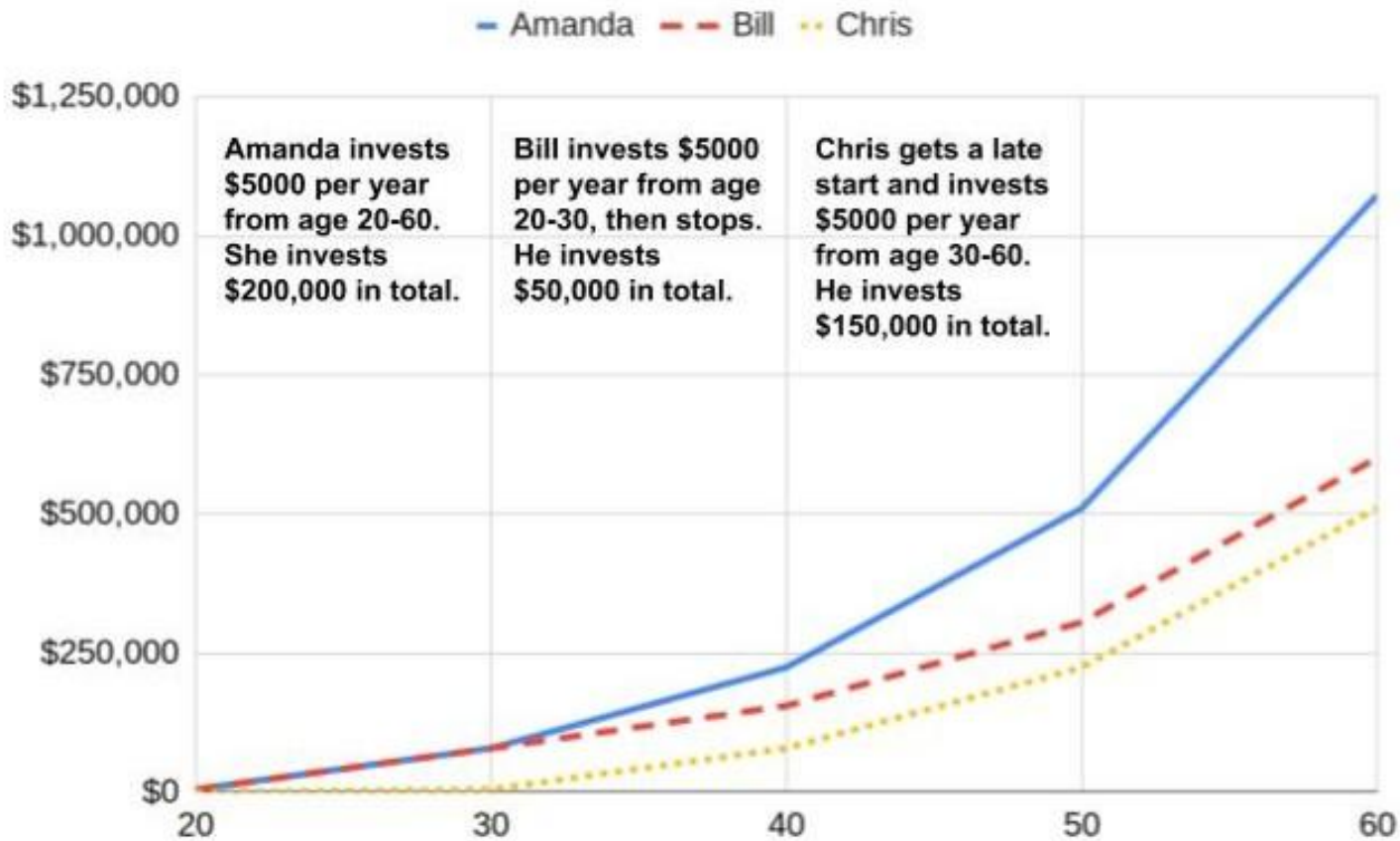


E-4 / O-1:  
I'm never gonna financially recover  
from this.

# What's the point of this briefing?

- No one can know everything about personal finance and investing
- We don't talk about this stuff very often. Your situation is not as unique as you think it is.
- You may never have been told any of this in your military career or school life because your parent's didn't know, your teachers, your NCOs, etc...
- The earlier you get started, the longer compounding interest can work in your favor...

## Starting Early Matters



All invest in the latest TSP Lifecycle Fund and earn an average 7% return

# Things I Won't Cover but I'm Happy to Take Questions On

- Picking Individual Stocks (good luck on that GME YOLO)
- Day Trading
- Peer to Peer Lending (Lending Club, etc)
- Speculating on Currency
- Real Estate Flipping/Investments
- Bitcoin/Cryptocurrency
- Buying Futures/Options/Commodities
- Venture Capital
- “Side Hustles”/MLM Schemes

**START HERE**

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

**Max Out Roth IRA\***  
\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

Note these are separate limits.  
\$25,500 total for 2020

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# The Anti-Budget

- Know where your money is going - YNAB, Mint.com, Personal Capital
- Create multiple bank accounts for specific savings goals
- Set a savings rate and then spend the rest without worrying about it
- Make it simple and automatic - **pay yourself first**
- *I Will Teach You To Be Rich* by Ramit Sethi



START HERE

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

Note these are separate limits.  
\$25,500 total for 2020

### Max Out Roth IRA\*

\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Checking and Savings Accounts

- Lots of good options out there:
  - Navy Federal
  - USAA
  - PenFed
  - Ally
  - Schwab
- Typically Chase, Bank of America, whatever hometown bank you still use is not that great. High fees, no ATM fee reimbursement, bad online presence, etc.
- You should never pay a fee on any bank transaction. If you do, move banks.
- Most people do not need physical branch access. 99% of banking can be done online.
- If you end up overseas, check out [Transferwise.com](https://www.transferwise.com) for low cost international payments

**START HERE**

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

Note these are separate limits.  
\$25,500 total for 2020

### Max Out Roth IRA\*

\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Emergency Fund or the “Oh shit” Fund

- \$1000 you set aside and don't touch unless you have a qualifying life event
  - Car breaks down
  - Travel voucher is 6 weeks late
  - PCS voucher not paid after 3 months (get your leadership involved after 1 week late!)
  - Basement floods
  - Flight is cancelled (USAA travel insurance is your friend)
  - Government shutdown
- Eventually grow it to a number that lets you sleep comfortably at night
  - 3-6 months of expenses commonly used
  - Personally I use cost of 2x plane tickets + \$1000 for a car repair

START HERE

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

### Pay Down Debt

Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

**Max Out Roth IRA\***  
\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

Note these are separate limits.  
\$25,500 total for 2020

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Blended Retirement System (BRS) and the Thrift Savings Plan

- BRS - the new hotness for new servicemembers after 2018
- TSP - been around for a few decades now. Military version of 401k.
- I made a huge mistake when I first joined the military...I didn't invest in my TSP!
- Gives you access to every publicly traded company in America
- Want to own a little piece of Apple, Boeing, Nike, Facebook, Gamestop, Sony, Google, Exxon Mobile, or Tesla? They are all in the TSP C and S funds.

# Thrift Savings Plan

- Traditional or Roth accounts available (tax flavors)
- \$19,500 contribution limit for 2021 (\$57k if deployed)
- Let's you invest in 5 different funds:
  - C - S&P 500, largest 500 companies in America (i.e., Tesla, Google, Amazon)
  - S - the other 2500 publicly traded companies in America (Square, Peloton, Dell)
  - I Fund - (Nintendo, Glaxosmithkline, Toyota, Adidas)
  - G - Government bonds
  - F - Corporate bonds
- Offers Lifecycle funds (L2065) which pick an asset allocation for you
- Extremely low cost and easy to set up



# BRS 5% Match

- The Blended Retirement System replaced the “Legacy High-3” system
- You can still earn a lifetime, inflation protected pension after 20 years of service (2% per year served, or 40% at 20 years)
- You also can get a 5% TSP match - this is free money!
- Contribute at least 5% of your pay (probably to your Roth TSP) and the US government will put another 5% into your Traditional TSP account
- See how much this can be worth annually...
- E-3 w/ 3 years: \$1423... do this for 10 years and that grows to \$23,800



2021 Value of 5% Match Annually															
Paygrade	Less than 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
E-9							3382	3459	3556	3669	3784	3967	4123	4286	4536
E-8						2769	2891	2967	3058	3157	3334	3424	3577	3662	3871
E-7	1925	2101	2181	2288	2371	2514	2594	2737	2856	2937	3023	3057	3169	3230	3459
E-6	1665	1832	1913	1991	2073	2258	2330	2468	2511	2542	2578	2578	2578	2578	2578
E-5	1525	1628	1706	1787	1912	2044	2151	2164	2164	2164	2164	2164	2164	2164	2164
E-4	1398	1470	1550	1628	1697	1697	1697	1697	1697	1697	1697	1697	1697	1697	1697
E-3	1262	1342	1423	1423	1423	1423	1423	1423	1423	1423	1423	1423	1423	1423	1423
E-2	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201	1201
E-1	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071	1071
	Less than 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
O-8	6798	7021	7168	7210	7394	7702	7774	8066	8150	8402	8767	9103	9328	9328	9328
O-7	5648	5911	6032	6129	6304	6476	6676	6875	7075	7702	8232	8232	8232	8232	8273
O-6	4283	4706	5015	5015	5034	5249	5278	5278	5578	6109	6419	6731	6908	7087	7435
O-5	3571	4022	4301	4354	4528	4631	4860	5027	5244	5576	5734	5890	6067	6067	6067
O-4	3081	3566	3805	3857	4078	4315	4610	4840	5000	5091	5144	5144	5144	5144	5144
O-3	2709	3071	3314	3614	3787	3977	4100	4302	4407	4407	4407	4407	4407	4407	4407
O-2	2341	2666	3070	3174	3239	3239	3239	3239	3239	3239	3239	3239	3239	3239	3239
O-1	2032	2114	2556	2556	2556	2556	2556	2556	2556	2556	2556	2556	2556	2556	2556
	Less than 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
O-3E				3614	3787	3977	4100	4302	4472	4570	4703	4703	4703	4703	4703
O-2E				3174	3239	3343	3517	3651	3751	3751	3751	3751	3751	3751	3751
O-1E				2556	2729	2831	2934	3035	3174	3174	3174	3174	3174	3174	3174
	Less than 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 26
W-5												4978	5230	5419	5626
W-4	2800	3011	3098	3183	3329	3474	3621	3842	4036	4219	4370	4517	4733	4910	5113
W-3	2556	2663	2772	2808	2923	3148	3382	3493	3620	3752	3989	4149	4244	4346	4484
W-2	2262	2476	2542	2587	2734	2962	3075	3187	3322	3428	3525	3640	3716	3776	3776
W-1	1985	2199	2257	2378	2522	2734	2833	2971	3106	3213	3312	3431	3431	3431	3431

START HERE

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

Note these are separate limits.  
\$25,500 total for 2020

### Max Out Roth IRA\*

\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# HOW TO PAY DOWN DEBT

*comparing 2 repayment strategies*



*the*  
**DEBT AVALANCHE**  
*method*

PAY DEBTS IN ORDER OF INTEREST RATE.

START WITH THE HIGHEST INTEREST RATE.

FOCUS ON PAYING OFF ONE BALANCE AT A TIME IN ORDER OF INTEREST RATE WHILE STILL PAYING MINIMUM BALANCE ON ALL THE OTHER DEBTS.

*Benefit:*

PAY DEBTS OFF FASTER  
AND PAY LESS INTEREST

VS.

PAY DEBTS IN ORDER OF BALANCE AMOUNT.

START WITH THE SMALLEST BALANCE.

IF DEBTS HAVE THE SAME BALANCE PUT THE DEBT WITH HIGHER INTEREST RATE FIRST.

FOCUS ON PAYING OFF ONE BALANCE AT A TIME, IN ORDER OF SMALLEST TO LARGEST, WHILE STILL MAKING MINIMUM PAYMENTS ON OTHER DEBTS.

*Benefit:*

QUICK SATISFACTION

*the*  
**DEBT SNOWBALL**  
*method*





**START HERE**

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

Note these are separate limits.  
\$25,500 total for 2020

**Max Out Roth IRA\***  
\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Roth or Traditional? TSP or IRA?

- Two flavors of accounts, depending on how they are taxed: Roth or Traditional
- Roth: you pay taxes now. This is the right choice for just about everyone under O-3 or if you deploy.
- Traditional: You don't pay taxes now but pay them when you withdraw the money after age 59.5. Once you make O-4 or if you have a high income (\$80k+) spouse then probably switch to Traditional.
- TSP: "Employer sponsored retirement account" same thing as a 401k
- IRA: "Individual Retirement Account" You have to set it up

Pay Taxes Now

Pay Taxes Later

You're responsible for setting up at a place like Vanguard, \$6000 annual limit

Roth IRA

Trad IRA

Set up in MyPay, managed on TSP.gov, \$19,500 annual limit

Roth TSP

Trad TSP

## Traditional IRA

Contributions  
Can be Tax  
Deductible

VS.

## Roth IRA

Contributions  
Made with  
After-tax  
Dollars

Your Earnings  
Grow  
Tax Deferred

You pay  
income tax  
on  
Distributions

Your Earnings  
Grow  
Tax Free

You do not pay  
income tax  
on  
Distributions

This illustration does not constitute tax advice. Our intention is to help inform the public. Please consult your accountant.

### PAY YOUR TAXES WHEN YOUR RATES ARE LOWEST



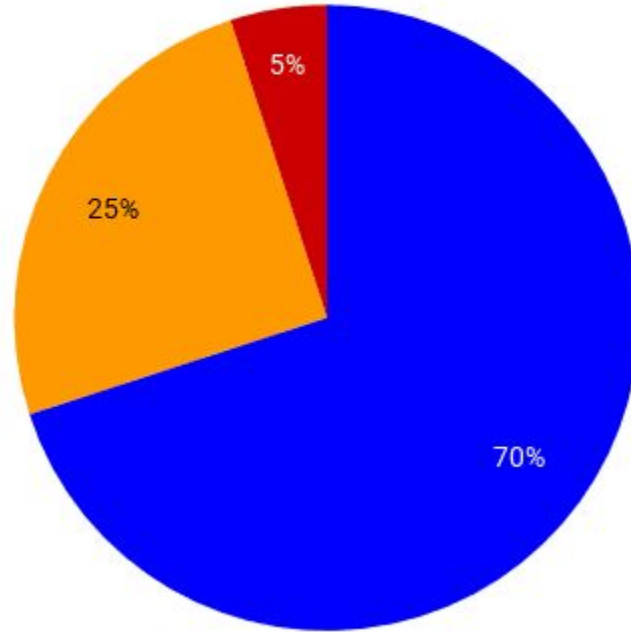
# Don't Worry Too Much About Roth vs Traditional

- Paralysis by analysis is what kills your investment gains. Far better to just start and learn as you go.
- When you're just getting started, stick with the L2065 fund. It's very heavy on stocks and light on bonds.
- As you grow in your personal finance knowledge, you may come up with your own asset allocation, or you may realize you have better things to do with your time so you just leave it in Target Date Retirement Funds or L funds and let the professionals decide.



## MilitaryMoneyManual.com Asset Allocation

● US stocks ● International Stocks ● Bonds



“Bogleheads” 3 Fund portfolio:

US and International Stocks, plus some bonds

# My Personal Investing Principles

- Simple, low cost, automatic, diversified
- Simple - just 3 funds, average returns beat active traders 90% of the time
  - Total US Stock Market, C+S in TSP or VTSAX or VTI at Vanguard
  - Total International Stock Market, I Fund or VTIAAX
  - Total US Bond market, G + F Fund or BND
- Low cost - TSP is \$0.49 per \$1000 invested in 2020.
- Automatic - MyPay sends 22% of my paycheck into the TSP every month, it's automatic invested IAW my asset allocation. I do nothing.
- Diversified - over 11,000 companies in VTSAX and VTIAAX (C, S, and I Fund)
- For this portfolio to fail, the world would have to fail

# Jack Bogle, Founder of Vanguard

- “The winning strategy is to own all of the nation's publicly held businesses at very low cost.” **Action: buy index funds**
- “Index funds eliminate the risks of individual stocks, market sectors, and manager selection. Only stock market risk remains.” **Action: buy index funds**
- “Over the long term, the miracle of compounding returns is overwhelmed by the tyranny of compounding costs.” **Action: keep costs low**
- “The winning formula for success in investing is owning the entire stock market through an index fund, and then doing nothing. Just stay the course.” **Action: buy and hold forever**
- “Over the years, I’ve often been asked for investment advice, and in the process of answering I’ve learned a good deal about human behavior. **My regular recommendation has been a low-cost S&P 500 index fund.**” - Warren Buffett

START HERE

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

**Max Out Roth IRA\***  
\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

Note these are separate limits.  
\$25,500 total for 2020

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Insurance

- Auto - shop around. GEICO, USAA, AllState, Progressive - plenty of options, get a military discount
- Life - SGLI unless you have a good reason to need more. TERM life insurance only! Never Whole Life. Stay away from First Command.
- Renters' or home - again, shop around, plenty of option
- Don't over insure but don't under insure either

START HERE

## Personal Finance Flowchart for Military Servicemembers

Budget a realistic amount for rent, food, transportation, and other expenses

### Open A Checking and Savings Account

USAA, Navy Federal, PenFed are popular. Any bank you choose should not charge ATM fees and should be mostly online or app.

### Save an Emergency Fund

\$1000 initially, 3-6 months eventually.  
Look into High Yield Savings Accounts (HYSA)

**If BRS, 5% Into TSP**  
Get your free match money

**Pay Down Debt**  
Use debt snowball or debt avalanche

\*If you are O-4 or below, Roth TSP and Roth IRA are probably right for you vs Traditional IRA or Traditional TSP. For Roth IRA, Vanguard, Fidelity, or Schwab are good. Never First Command.

**Max Out Roth TSP\***  
\$19,500 per year in 2020  
Invest in L2050 Fund

**Max Out Roth IRA\***  
\$6000 per year in 2020  
Suggest "Target Date Retirement Funds"

Note these are separate limits.  
\$25,500 total for 2020

### If Deployed to a Combat Zone

1. Maximize Roth TSP and Roth IRA contributions (tax free in, grows tax free, tax free out).
2. Savings Deposit Program (SDP) - Deposit maximum \$10k, earn 10% annually. Great for emergency fund.
3. Reduce your expenses. Suspend cell phone service, store vehicle, pause auto insurance.

### Insurance

1. Never buy whole life insurance
2. SGLI max \$400k for \$25 per month and reimbursed in CZTE areas + \$100k death gratuity. Usually enough until you get married and have kids, then look at "term life insurance."
3. Shop around for the best auto and renters/home insurance. GEICO and USAA are popular.



# Deployment Finances

- Tax free pay baby! Time to max out your Roth IRA and Roth TSP
  - Money goes in tax free, grows tax free, and since it's a Roth account it can be withdrawn tax free after age 59.5
  - There are lots of ways around the age 59.5 restriction too:  
<https://www.madfientist.com/how-to-access-retirement-funds-early/>
- Savings Deposit Program (SDP) - 10% return on up to \$10,000 = \$1000 per year for your emergency fund
- Increased pay, decreased expenses = most financially beneficial time of your life
  - Pay off debt
  - Build savings
  - Build up huge nest egg and let compounding interest go to work

# Taxes

Lots of free options from HR Block,  
TurboTax, Military One Source



# Credit Cards

- Excellent tool. But if you've ever hit your thumb with a hammer, you know tools can hurt you as well as help you.
- Credit card debt is no joke! >20% interest rates are killing any financial goals
- That being said...

Chase and American Express (Amex) waive all annual fees on their personal credit and charge cards for military servicemembers and spouses

- That means Chase Sapphire Reserve (\$300 annual travel credit), Amex Platinum (\$15/month Uber credit), Amex Gold (\$250 annual fee waived)
- Travel hacking can be a lucrative hobby that opens up a lot of free airfare, hotel rooms, etc
- **BUT IF YOU HAVE CREDIT CARD DEBT, IT DOESN'T WORK!**



# What are your goals?

- New car? New house? Wedding ring? Vacation? PS5? Financial independence?
- Ultimately what most of us want are freedom, choices, to provide for our families, and have a bit of fun
- For me personally, **financial independence by age 40 became the goal**

# Quick Introduction to Financial Independence or “How Much Do I Need to Retire?”

Financial independence, Retire Early (or “FIRE”) is a relatively new concept but a very old idea.

**Essentially you save up enough money so that you can live off the income from the savings until you die.**

There are a lot of details, but basically take your annual expenses and multiple by 25. So if you spend \$40,000 per year, you'll need to save up \$1,000,000. \$60k = \$1.5MM

This is based on the 4% rule, where on average your investments will return 7%, you'll withdraw 4%, and inflation will eat 3%.

A military retirement is a shortcut to FI, as you can earn an inflation protected monthly paycheck after 20 years of service.

# Financial Independence (FI)

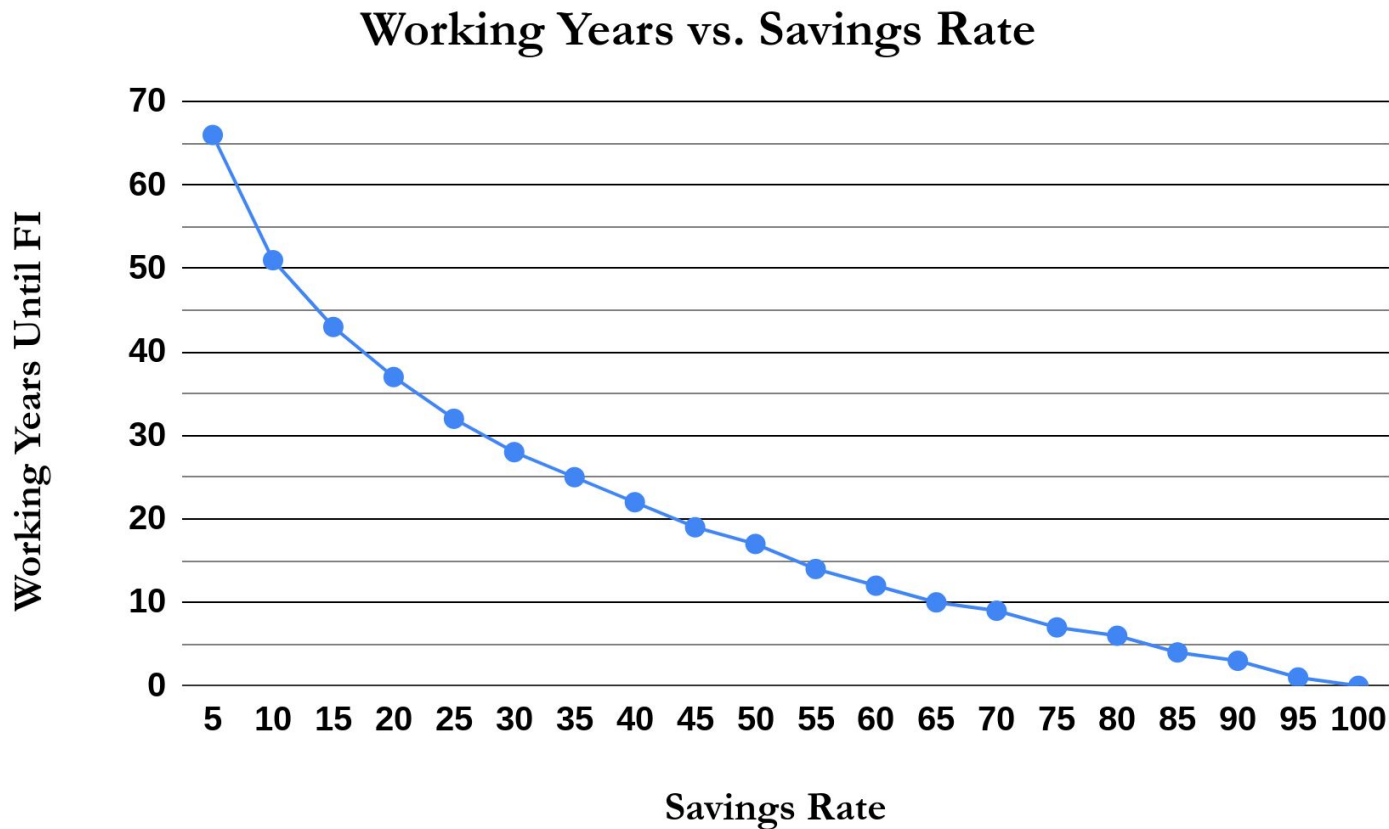
FI is a powerful concept because you can adjust 2 variables to achieve FI faster or slower as you choose:

1. Your goal annual expenses (more or less expensive lifestyle)
2. Your savings rate (increase your income or decrease your expenses)

If you want to drive a new Lambo, you'll have to work longer or save more money.

If you are satisfied with a less expensive lifestyle, you can punch out earlier.

# Time to FI



# Personal Finance is Simple, but Not Easy

- Spend less than you earn
- Insure against the catastrophic
- Invest in low cost, passive index funds
- Start saving as early as possible and let compounding interest work for you
- Do not take on much debt and pay off that debt ASAP (other than mortgage)
- Create automated systems of saving, investing, and spending so you can spend time doing the things you love, not focused on money management



## Recommended Books and Websites

### **Investing**

The Psychology of Money  
The Intelligent Military Investor  
Bogleheads Guide to Investing  
I Will Teach You to Be Rich  
The Little Book of Common Sense Investing  
The Military Guide to Financial Independence and Early Retirement  
The Millionaire Next Door  
A Random Walk Down Wall Street  
The White Coat Investor  
The Simple Path to Wealth

### **Lifestyle design, life hacking, philosophy**

The 4 Hour Workweek  
The Subtle Art of Not Giving a F\*ck  
War of Art  
Digital Minimalism  
A Guide to the Good Life

### **FIRE websites**

[militarymoneymanual.com](http://militarymoneymanual.com)  
[the-military-guide.com](http://the-military-guide.com)  
[madfientist.com](http://madfientist.com)  
[engaging-data.com](http://engaging-data.com)  
[networthify.com/calculator](http://networthify.com/calculator)  
[getrichslowly.org](http://getrichslowly.org)  
[mrmoneymustache.com](http://mrmoneymustache.com)  
[mymoneyblog.com](http://mymoneyblog.com)