

Don't Forget to Invest!

By Janine Boldrin

With everything else that needs to be done prior to a deployment, it's hard to add "investment planning" to your pre-deployment checklist. But failing to take the time to understand your options may mean missing out on investment opportunities that have specific advantages due to your deployment status.



Ryan Guina

"A lot of people don't invest when they are younger because they feel they aren't earning enough to contribute," said Ryan Guina, who operates The Military Wallet, a web site designed to help military members, veterans, retirees, and dependents find information about military money matters including pay, benefits, and legislation. "By the time they realize they should be putting some money away, they've lost 10 to 15 years of compound growth and contributions."

Guina, who served in the United States Air Force, said that most service members can start investing with only one or two percent of their income and won't miss it coming out of their paycheck. And deployed service members, who are receiving extra pay, may want to consider saving even more money because of the investment options that are available to them while they are serving in a combat zone:

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Roth IRA

A Roth IRA is an individual retirement account that allows for the annual investment of after-tax income up to a specified amount. When a service member who is not deployed contributes to a Roth IRA, their income has been taxed prior to investment and, at retirement, they are able to make tax free withdrawals.

The benefit of investing in a Roth IRA during a deployment is the ability to contribute tax-free income, such as combat pay, and make tax-free withdrawals of contributions and earnings at retirement.

Under the Heroes Retirement Opportunities (HERO) act, signed into law in 2006, service members are now allowed to contribute tax-free combat pay to a Roth IRA. Before HERO was enacted, service members whose earnings came from tax-free combat pay were unable to use IRAs to save for retirement.

"When it comes to deployment, you cannot beat a Roth IRA because of the way it works," said Guina. "When you're using tax-free money while you are deployed, by benefit of being in a Roth it will never be taxed."

Thrift Savings Plan

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for members of the armed forces, including the Ready Reserve. The TSP is a supplement to your military retired pay and offers the same types of savings and tax benefits as many private employer 401(k) plans. Nearly 50 percent of active duty service members are participating in the TSP, according to officials from the Federal Retirement Thrift Investment Board.

Traditionally, when a service member invests in the TSP they are investing pre-tax money which will be taxed upon withdrawal at retirement.

"When you are deployed and invest in the TSP, you're using your tax-exempt earnings," said Guina. "The contributions are not subject to taxes and the money you contribute while you are deployed will always be tax-free."

This scenario makes TSP similar to a Roth IRA as far as the tax implications on contributions, but unlike the Roth IRA, your earnings will be subject to taxes. The advantage of using the TSP versus the Roth IRA includes higher contri-

bution limits and the convenience of automatic withdrawals from the service member's paycheck, which is invested into the plan they chose when they signed up for TSP.

Military Savings Deposit Program

The Military Savings Deposit Program (SDP) allows service members in designated combat zones the ability to save with a guaranteed 10 percent return on investment.

"Most people are not aware it even exists," said Guina. "It was started in the Vietnam era and since then it has only been back around when we have people deployed to (combat zones)."

Deployed service members can deposit all or part of their unallotted pay into a SDP up to \$10,000 during a single deployment and earn an annual interest rate of ten percent which compounds quarterly.

Even though combat pay is tax-free, the interest accrued on earnings deposited into the SDP is taxable.

Guina adds that you should invest money that you are not going to want to touch until after your deployment, because withdrawals can only be made upon termination of eligibility or under an emergency withdrawal request made for the health and welfare of the service member or a dependant, and signed and substantiated by the service member's unit commander.

Service members can begin making deposits on their 31st consecutive day in a designated combat zone. Eligibility for deposits ends on the date of departure from the combat zone. Service members should contact their finance department to get more information on exact guidelines on the SDP and setting up an account when they deploy.

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