

Taking Command of Your Financial Life: Tips for Veterans



How carefully navigating your personal finances and veteran benefits can help set you up for success, as you transition to civilian life.

For many U.S. veterans, leaving military service can bring big changes, both personally and financially—whether it's moving to a new city, starting a new career, or managing basic needs, such as housing, once provided by the military. Getting a handle early on your money situation, and the benefits available to you, can help ease the transition, as you plan ahead for a financially stable future.

“Like most things in military life, it takes careful preparation to succeed in your transition to civilian life—and that's especially true when it comes to finances,” says Jeff McMillan, Morgan Stanley Wealth Management's Chief Analytics and Data Officer and a veteran himself who co-chairs the firm's Veterans Employee Network Group (VENG). “There's a lot to learn, but there are also a lot of great resources to help. You just have to know where to look and how to take advantage of them.”

One such source of support: **Morgan Stanley's Financial Foundations Program for Veterans**, which provides pro-bono financial education and training to interested veterans' organizations. Taught mainly by Morgan Stanley Financial Advisors who are military veterans themselves, the VENG-run program offers the basics in personal financial management, including budgeting, debt management, financial planning and investing.

The program offers veterans a kind of financial basic training, where they can learn essential skills for managing their finances, while also exploring any benefits or programs for which they may be eligible, such as educational assistance, job training, health care and discounts. Here's how you can get started:

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show you areas where you might need to cut back. Don't know where to start? Consider a “50-30-20” budget, where you spend 50% on what you need (for example, rent and groceries), 30% on what you want (like entertainment and vacations) and you save or invest 20% of what you earn. Once you've created a budget, you'll have a roadmap that can help you make smart day-to-day decisions about money, while also planning for the future.

- **Remember to take advantage of your benefits.** Use the resources available through your [Transition Assistance Program](#), a federal initiative aimed at easing the transition from military to civilian life. Benefits include career coaching and employment preparation.

GETTING STARTED IN YOUR CIVILIAN LIFE

As you adjust to your first year as a civilian, keep these considerations in mind to help you stay on the right financial path:

- **Prepare for tax sticker shock.** As a service member, you may have only been paying federal taxes on your base salary, while taking home your allowances for housing and subsistence tax-free. Once you start working for a new employer, you're going to have to pay for housing and food with post-tax dollars, meaning you may need to earn a higher salary to take home an equivalent amount of money. The good news is that you'll likely be starting off at a higher salary than your nonveteran peers. According to one study, the average veteran earns about 21% more than a nonveteran, although pay differences vary widely from state to state.
- **Consider your health insurance options.** While you may not be able to keep the same TRICARE insurance that you had during your service, the military does offer some [transitional health insurance programs](#) that can cover you for up to 180 days after discharge. Compare those transitional benefits to potential employer health plans from your new job, or through your spouse's employer, and pick the best one for you.
- **Avoid debt pitfalls.** Make sure to factor any new debt payments into your budget and make a plan to avoid credit-card and other high-interest debt, if possible. The Military Lending Act limits the amount that a creditor can charge active service members, but not all of those protections apply after you've left active duty, so be sure to remain cautious about any new credit offers. If you have existing high-interest debt, focus on paying that down before taking on additional debt.
- **Take advantage of your benefits.** Your veteran status gives you access to a range of financial benefits that can help you during this transition (and in the future). Those include access to the [Veteran and Military Transition Center](#), which helps those in transition find employment, training or apprenticeships in high-skilled jobs.

LOOKING AHEAD

As you settle into civilian life, it's important to keep an eye on your finances—and to take advantage of the military benefits that you've earned.

- **Save for retirement.** You'll want to participate in your workplace 401(k) plan as soon as you're eligible, contributing at least enough to get any available matching contribution from your employer. If you like the investment options in your new 401(k) plan, you may be able to roll your military Thrift Savings Plan balance into it. If you don't like the investment options or your employer's plan doesn't allow for rollovers, you can keep your savings in the federal plan or roll them into an individual retirement account (IRA), a tax-advantaged way to help build your nest egg, in addition to your 401(k). You can also cash out your Thrift Savings Plan, but that could mean a significant financial hit from taxes and penalties, if you're under age 59 and a half.

- **Take advantage of your benefits related to ...**

- **Education:** If you're applying to college or graduate school, be sure to consider how [GI Bill benefits](#) may help you cover the cost; in some cases, dependents, such as the surviving spouse or children of a veteran, may receive educational assistance through a GI Bill program.
- **Buying a home:** When buying a home, keep in mind your potential eligibility for [VA Home Loans](#), which may allow you to get a mortgage without a down payment and with limited closing costs.
- **Retirement:** The U.S. Department of Veterans Affairs (VA) provides a needs-based, tax-free [Veterans Pension](#) to wartime veterans over age 65 (or receiving disability benefits), for which you may qualify if you served for at least two years and were called to active duty. You may also have access to nursing-home care or community living centers through the VA.

Becoming a civilian after years in the military can feel overwhelming, but a few smart financial moves can help set you up for success down the road. And, you may not have to make this transition alone. [Email us to learn more](#) about how Morgan Stanley's Financial Foundations Program for Veterans can help your veterans' organization.

¹ <https://www.consumercredit.com/debt-resources-tools/military-veterans/the-facts-military/veteran-debt-statistics/>

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