

TC 21-7

**PERSONAL
FINANCIAL
READINESS AND
DEPLOYABILITY
HANDBOOK**

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Authorization

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PREFACE

This training circular is designed for soldiers in the active component (AC) and the reserve component (RC) (which includes the Army National Guard (ARNG) and the United States Army Reserve (USAR)). It explains the Army's pay system and answers questions concerning basic financial matters. At the end of each chapter there are practical exercises covering the material in the chapter. Chapter 8 contains answers to all of the practical exercises.

This training circular will help soldiers understand the military pay and travel systems, spending

and saving, investments, and, most importantly, assist soldiers in preparing for financial readiness--in peacetime and during any type of deployment. Remember, this is a guide to be used by all soldiers. Address more detailed questions concerning individual personal financial situations through the chain-of-command.

Chapter 1 explains the monthly pay and allowances soldiers are entitled to as well as the monthly deductions from their pay. These deductions include taxes as well as voluntary deductions such as allotments and charitable donations. This chapter will give an overview to all soldiers on how the Army pay system works, what entitlements soldiers receive, and how soldiers receive their pay.

Chapter 2 outlines the entitlements for Active Component (AC) and Active Guard/Reserve (AGR) soldiers on active duty and answers specific questions about individual Leave and Earning Statements (LESSs), the mid-month Net Pay Advice (NPA), and additional entitlements for deployed soldiers.

Chapter 3 outlines the entitlements for RC soldiers and answers questions about entitlements, individual LESSs, the mid-month NPA, and mobilization allowances.

Chapter 4, explains travel pay, how to file travel claims and shows block by block how to complete a travel voucher.

Chapter 5, which is probably the most important chapter of this circular, tells soldiers and their families how to prepare for deployment.

Chapter 6 explains credit and banking services as well as offers practical advice on establishing and utilizing credit and various banking services.

Chapter 7 covers budgeting techniques and general information on investments.

The final chapter, chapter 8, contains the answers to the practical exercises, which are located at the end of each chapter.

Appendix A is for unit commanders. It outlines differences in the AC and RC pay systems and provides an excellent training tool for Commanders' use when introducing new soldiers to the Army pay system.

This publication uses both narrative and question-and-answer formats to present information. Read each question as if you were asking it yourself. Review the answers and if you come across an answer you do not understand or if you have further questions, which are not answered in this circular, talk to your chain-of-command. If your leaders don't know the answer, they will assist you in getting the right answer.

You are encouraged to read this entire publication and complete the practical exercises at the end of each chapter. After completing the exercises, keep this circular handy as a reference.

The proponent for this publication is the U.S. Army Finance School. Send comments and recommendations on a DA Form 2028, Recommended Changes to Publications and Blank Forms, directly to:

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When used in this publication, all masculine or feminine pronouns refer to both genders, unless otherwise stated.

CHAPTER 1

PAY, ALLOWANCES, AND DEDUCTIONS

This chapter explains the Army's pay system, emphasizing how much money soldiers are entitled to and how the Army pays them.

This chapter covers pay, allowances and entitlements paid to soldiers. Thus, it covers a lot of subjects, including monthly base pay, basic allowance for quarters (BAQ), basic allowance for subsistence (BAS), variable housing allowance (VHA), continental United States cost of living allowance (CONUS COLA), family separation allowance (FSA), outside continental United States cost of living allowance (OCONUS COLA), overseas housing allowance (OHA), clothing allowance, per diem allowances, and special pays for special work.

BASE PAY

The monthly base pay of soldiers is prescribed by law. Soldiers' base pay is taxable and is calculated according to pay grade and years of service.

ALLOWANCES

Soldiers are entitled to non-taxable allowances in addition to monthly base pay. An allowance is a monetary amount paid to a soldier in lieu of furnished government quarters, government meals, or to compensate for other circumstances which may create a financial hardship for soldiers

because of their military service (e.g., higher cost of living in certain geographic areas and deployments causing soldiers to be separated from families).

PAY RAISES

Under the 1990 Federal Employees Pay Comparability Act, service members receive the same average pay increase as federal civil servants. Normally there is an annual pay raise, which goes into effect January 1. The annual pay raise usually applies not only to basic pay but also to the basic allowances for food and quarters.

BASIC ALLOWANCE FOR QUARTERS (BAQ)

Basic allowance for quarters (BAQ) is tax free money the Army pays soldiers for housing. There are three categories which determine the rate of BAQ individuals are paid. These categories are:

- **Partial Rate:** This BAQ rate is for soldiers living in barracks or government bachelor quarters. Soldiers assigned to sea or field duty are considered to be assigned to government quarters and are paid the partial rate.
- **With dependents rate:** This rate is for soldiers living off post with at least one family member meeting the official definition of a dependent. This rate does not increase with the number of dependents.
- **Without dependents rate:** This rate applies to single soldiers living off post.

Depending on the availability of housing and local policy, soldiers in the rank of SFC or higher may elect not to occupy government quarters and reside off post at any time, unless their mission or local policy requires living on post. The rate of BAQ paid to these soldiers is determined by whether or not they have dependents.

SSGs and below, who are married, may also reside off-post if family housing is not available. Again, their BAQ rate will be paid at the "with dependents" rate unless their spouse is also an active duty soldier.

When a soldier is married to another soldier with no other dependents and they reside off post each soldier receives BAQ at the "without dependents" rate.

As a general rule, single soldiers (SSG and below) will stay in the government quarters and receive partial BAQ.

BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

In theory, the military either furnishes three meals a day or pays its soldiers a tax free food allowance, which is known as the basic allowance for subsistence (BAS), commonly referred to

as separate rations for enlisted soldiers.

Normally, enlisted soldiers are subsisted in kind, which means they are provided government mess. When enlisted soldiers are authorized to mess separately they are entitled to separate rations. Enlisted BAS is set by Congress at a daily rate ranging from \$6.79 to \$10.99 in 1997, depending on time in service and the availability of government dining facilities.

All officers, married or single, receive BAS, and pay for all of their meals, including those in a government dining facility. Officers on field or sea duty continue to get BAS, but they are required to pay for their meals. Money for the meals may be deducted from the officers' pay. This deduction is also in effect when essential unit mess is declared.

Enlisted soldiers get a higher amount of subsistence than officers. Unlike the officer BAS, the enlisted BAS is not guaranteed.

Enlisted soldiers entitled to BAS may lose this food allowance when they go on deployments or are assigned to field or sea duty because they are given rations. The rationale behind this is that they are provided their meals and therefore they do not need money to buy food. Their BAS may be re-initiated upon their redeployment. Congress determines whether or not this allowance will be paid based upon the deployment.

ESSENTIAL UNIT MESS

When the nature of the mission or training requires the unit members to eat at the same time and place, essential unit mess can be declared. Officers will continue to receive their BAS but will pay for their meals at the discounted rate. Enlisted soldiers will not receive BAS but will receive their meals for free.

VARIABLE HOUSING ALLOWANCE (VHA)

In 1980, Congress approved a tax free variable housing allowance (VHA) to attempt to narrow the gap between actual housing costs and basic allowance for quarters. Soldiers must be receiving BAQ to be eligible for VHA. VHA is paid to soldiers living off post and is based on the zip code of the soldier's permanent duty station. Not all zip codes are authorized VHA. VHA rates are available in the Joint Federal Travel Regulation (JFTR), chapter 8, volume I and on the Internet at: [HTTP://WWW.DTIC.MIL/perdiem/vhabasic.html](http://www.dtic.mil/perdiem/vhabasic.html).

Like BAQ, VHA has a different rate for each rank and separate categories for soldiers with and without families. But unlike BAQ, not all ranks in each community are authorized VHA, because the allowance is based on median housing costs for various incomes in various areas.

Thus, while BAQ is the same for a SGT in Minot, ND and Los Angeles, CA, the SGT in Los Angeles receives a much larger VHA.

CONTINENTAL UNITED STATES COST OF LIVING ALLOWANCE (CONUS COLA)

In 1994, Congress authorized a new tax free continental United States cost-of-living allowance (CONUS COLA) for service members stationed in the continental United States, which excludes Hawaii and Alaska.

The monthly CONUS COLA allowance is meant to offset regional differences in costs for transportation, taxes, food and other items. This allowance may be paid to compensate for the higher cost of living in areas where living expenses, other than housing, are higher than the national average.

Payments range from one percent to 11 percent of the soldier's base pay, depending upon the location. Currently, there are about 32,000 service members receiving this allowance. Soldiers may check with their PAC to determine if the area in which they are living qualifies as a CONUS COLA area.

FAMILY SEPARATION ALLOWANCE (FSA)

Soldiers serving a short dependent restricted tour, deployed, or TDY for longer than 30 days may receive extra money for being separated from their family members. This allowance is called family separation allowance (FSA) and is a tax-free allowance, which comes in two forms.

The most common form of FSA is "Type II" which is an extra \$3.50 a day. It is paid to soldiers who are officially separated from their family for periods longer than 30 consecutive days. This allowance is paid on the 31st consecutive day and is retroactive to the first day of separation.

The second form of FSA, "Type I," goes to a smaller number of soldiers, those stationed overseas who were not able to bring their families to the overseas location and were unable to live in government quarters. Because these soldiers have to provide homes for their families in the States and for themselves while stationed overseas, Type I authorizes them an extra monthly BAQ at the "without dependents" rate.

OUTSIDE CONTINENTAL UNITED STATES COST OF LIVING ALLOWANCE (OCONUS COLA)

Soldiers stationed overseas are not eligible for VHA or CONUS COLA. They may be eligible for two major programs that help offset the added costs of foreign assignments.

The first program is a tax free allowance for soldiers living outside the U.S. - Outside the Continental United States Cost of Living Allowance (OCONUS COLA), which is a supplement to regular pay, designed to compensate for the higher cost of living overseas. COLA payments vary with location, rank, and dependents.

The second program is "barracks COLA." Enlisted soldiers without dependent family members, who are living in barracks or on ships home-ported in many overseas locations, are eligible for "barracks COLA" which amounts to almost half of the full supplement for service members with families. Again, this is an allowance to help compensate for the higher cost of living overseas.

OVERSEAS HOUSING ALLOWANCE (OHA)

For soldiers living off post in overseas areas, the tax free overseas housing allowance (OHA) can be paid in addition to BAQ. Simply put, the overseas housing allowance is the overseas version of stateside VHA.

CLOTHING ALLOWANCE

All officers receive a one-time tax free initial payment of \$200 after commissioning to purchase uniforms and insignia.

Reserve officers can receive a supplemental allowance of \$100 when they enter active duty and serve for 90 days or longer - provided they have not received either the initial or supplemental uniform allowance for a period of active duty ending during the previous two years.

Active duty enlisted soldiers are paid a tax free clothing allowance to defray the cost of maintaining uniforms and replacing worn-out uniforms. This allowance is paid each year at the end of their anniversary month. The anniversary month is the month the soldier entered the Army.

CIVILIAN CLOTHING ALLOWANCE

When officers or enlisted soldiers are assigned to duty that requires them to wear civilian clothes, they receive a special tax free allowance for civilian clothing. This is a tax free allowance which is paid depending upon the expected tour length. This allowance is the same for men and women, officers and enlisted. The following rates from fiscal year '97 are provided as an example:

<i>Expected Tour Length</i>			
Clothing Type	Up to 12 Months	12 to 24 Months	More than 24 Months
Winter & Summer Required	\$737	\$983	\$1,244
Winter <i>or</i> Summer Required	\$493	\$646	\$804

Soldiers who are TDY for 15 to 30 days may receive \$245.00 and soldiers TDY more than 30

days may receive \$459.00.

PER DIEM ALLOWANCE

For soldiers traveling on government business or performing duties at another post, government quarters and mess should be fully utilized when available. When government quarters and mess are unavailable, soldiers are entitled to per diem, which is a tax-free daily allowance for the added expenses of buying meals and/or living in hotels while on official business.

There are two types of per diem. The first and most common is for temporary duty (TDY) when soldiers are performing duty away from their unit of assignment. The other type is for soldiers traveling to a new duty assignment. Additionally, soldiers may receive an incidental portion of per diem (\$2.00 for CONUS; \$3.50 for OCONUS) when deployed or participating in a joint exercise, where the incidental payment is authorized.

Per diem reimbursements are meant to cover basic expenses for food and shelter. The per diem rates fluctuate periodically to reflect changing costs in different geographic areas. The per diem rates for all geographic areas are available in the appendices in the JFTR, volume I and on the Internet at: [HTTP://WWW.DTIC.MIL/perdiem/pdrates.html](http://www.dtic.mil/perdiem/pdrates.html).

SPECIAL PAYS FOR SPECIAL WORK

The military offers more than 50 special pays for special work for active and reserve component soldiers. Some of these special pays are tied to particular skills, while others are used to compensate members for unusual inconveniences or hazards.

Among the special pays are enlistment bonuses, imminent danger or hostile fire pay, flight pay, sea pay and income supplements to attract and keep medical specialists.

Each of these *special pays are taxable*. The importance of the special pays has been increasing since the advent of the all-volunteer military in 1973. A partial list of special pays follows.

Enlistment Bonuses: These bonuses are paid to certain recruits with specialized skills.

Reenlistment Bonuses: These bonuses are paid to keep experienced, specialty skilled soldiers in uniform.

Imminent Danger/Hostile Fire Pay: Soldiers who are deployed from their unit of assignment and serve on land, aboard a ship, or in an aircraft within an area officially declared by the Secretary of Defense as a "hostile fire zone" or "imminent danger area" are eligible for hostile fire pay, which is an extra \$150 a month.

Hazardous Duty Pay: Both officers and enlisted soldiers qualifying for hazardous duty pay are

eligible for \$110 a month. Ten kinds of jobs qualify for this special pay, including demolition work, assignment on an aircraft carrier flight deck, dealing with toxic fuels or pesticides, and parachuting.

Dive Pay: The minimum amount of dive pay is \$110 monthly. Top diving pay for officers is \$200 and the top pay of \$300 a month is paid to enlisted master divers in the Army and Navy.

Foreign Language Proficiency Pay: Soldiers who learn a designated foreign language and maintain their ability to read, speak, and comprehend the language are paid up to \$100 a month as a career incentive. Soldiers must be in an authorized position to receive the payment.

Flight Pay: Technically called "aviation career incentive pay," this stipend recognizes the extra hazards inherent in flying military aircraft and encourages people to enter into and stay on flight status. Rank, time in service, and experience are all factored into calculating the monthly monetary entitlement. For commissioned and warrant officers the amount ranges from \$125 to \$650 monthly. For enlisted crew members the amount ranges from \$110 to \$200 per month when they are flying, with the amount based on the individual's rank.

Officers and enlisted air weapons controllers receive a special pay of \$125 to \$350 monthly.

Medical and Dental Pay: One of the largest gaps between military and civilian salaries appears in the medical and dental fields. To bridge this income gap, each branch of the service has initiated monetary incentive programs to attract, recruit and retain qualified medical personnel.

The special pays listed above only represent a partial list. For a complete list of entitlements, see the unit PAC supervisor.

SURE PAY

All soldiers are required to be paid by direct deposit to the financial institution of their choice. Direct deposit is commonly referred to as "SURE PAY" and it ensures that a soldier's pay is sent by electronic fund transfer (EFT) to their designated account on paydays. Active duty soldiers may elect to receive their pay only once a month or to receive two payments a month. RC soldiers are paid on the next scheduled payday following completion of their duty.

In the event that soldiers want to have their SURE PAY sent to a different financial institution or account, there are certain steps they must follow:

1. Fill out an application and signature card at the new financial institution.
2. Make the first deposit at the new institution or in the new account.
3. Obtain a Standard Form (SF) 1199 (Direct Deposit Sign-up Form) from their financial institution, which the finance institution should complete prior to the soldier taking it to their PAC. Take the SF 1199 to the PAC and complete a DA Form 3685-R (JUMPS-JSS Pay elections). This will allow finance to establish or change where SURE PAY is

deposited.

Note: *Do not close the old account until there is at least one SURE PAY deposit into the new account.*

CASUAL, ADVANCE AND TRAVEL PAYMENTS

Casual Pay: A casual pay is basically an **emergency payment**. It is always a one time lump sum collection from the soldiers next paycheck. A soldier who receives a casual pay could end up with a "**no pay due**" on the next pay day because the casual pay is not collected over a period of time, but is collected in full the following month after receipt of the casual pay. Commanders must approve requests for casual pays.

Advance Pay: An advance of base pay is an interest free loan from the Army, but this money **must be** paid back. An advance pay must be paid back within 12 months after receipt of payment, starting the month after it is first received. If soldiers can prove that a 12-month repayment schedule would cause undue financial hardship, they may be authorized to extend repayment over 24 months.

If soldiers are stationed outside of the continental United States (OCONUS) or in a high-cost area within the continental United States (CONUS), repayment of the advance pay **may** be paid back over 24 months.

An advance pay covers extra expenses normally caused by a permanent change of station (PCS) move. If conditions warrant, soldiers may receive up to one month's advance pay at their old duty station and/or two months' advance pay at their new duty station. Soldiers are required to itemize the expenses related to their PCS move in order to qualify for the advance pay. Advance pays are normally paid at the discretion of the commander and the finance officer.

PCS TRAVEL ADVANCE

A soldier is authorized a travel advance prior to proceeding on a permanent change of station (PCS) move. Advance PCS travel pay is 80% of the estimated cost of your allowable travel expenses. This money is for travel expenses only. If the advance payment is more than the soldier should have received, the amount not authorized must be paid back to the government ***in one lump sum.***

Soldier's should save copies of travel advance vouchers and all receipts from trips. This information is needed to complete a travel voucher, DD Form 1351-2, once soldiers arrive at their new duty station. Once soldiers complete and submit their DD Form 1351-2 to their finance office, the finance office will compute the final travel payment with this information and will pay soldiers for eligible entitlements.

TRAVEL CHARGE CARD

The Travel Charge Card Program is operated by American Express under a contract with the Federal government. The travel charge card is the way most travelers in the Army initially fund their TDY travel. If a soldier's commander decides he needs a card, the local program coordinator will provide an application and forward the completed application to American Express. Once soldiers get their cards, they can use it to charge travel expenses at hotels and restaurants and to get cash advances through automated teller machines (ATMs).

There are some important rules for using the travel charge card. First, it must be used **only** for official travel expenses, such as lodging, rental cars or meals. It is not for personal use. Second, the balance on the travel card account must be paid in full when the monthly bill from American Express is received. It is not a credit card -- the balance cannot be carried forward from one month to the next. If soldiers file their travel claim right away, they should get reimbursed before the travel card bill is due.

If soldiers misuse their travel card or become delinquent on their account, consequences can be serious. American Express will cancel cards on accounts which are 120 days delinquent in payment. They will also report the delinquency to the national credit bureaus, which will damage the soldiers opportunities of getting credit in the future. The monthly reports that American Express sends to the unit will show if soldiers are misusing the card or if they are delinquent. The unit commander may decide to take disciplinary action.

TEMPORARY DUTY (TDY) TRAVEL PAYMENTS

Temporary duty (TDY) travel is official travel to perform duty at a location away from the permanent duty station. Soldiers may get advance travel funds before going TDY, either from their finance office or by using their travel charge card.

Soldiers who have an American Express travel charge card can use it to get cash advances through ATMs and to charge their expenses while they are traveling. Soldiers without a travel charge card can request an advance from their servicing finance office, which will transfer the advance electronically into the same account where the soldier's pay is deposited. Keep copies of the original receipts for lodging, rental cars, and miscellaneous receipts over \$75 and any advance pay vouchers (if an advance was taken). Original receipts are required when completing the travel voucher, DD Form 1351-2.

Soldiers must first check at the installation for government lodging availability, if none is available the soldier must receive a statement of non-availability. Remember each post and city has a different per diem rate for lodging and food. Per diem rates are available in the applicable appendices in JFTR, volume I and on the Internet at: [HTTP//WWW.DTIC.MIL/perdiem/pdrates.html](http://www.dtic.mil/perdiem/pdrates.html). Soldiers should check these rates before you start your TDY trip because they will not be reimbursed if they spend too much for their hotel or meals. If a soldier is TDY at an installation at which he will be permanently assigned

immediately following his TDY period (i.e. TDY enroute), no per diem is payable.

TEMPORARY LODGING MONEY

During the process of leaving an old duty station and arriving at a new duty station soldiers may have to stay a few nights in a hotel or a guest house. If so, they may be able to receive temporary lodging allowance (TLA) and/or temporary lodging expense (TLE) payments. Check on eligibility for this allowance at the finance office *prior to planning a PCS move*. Normally, the payments are limited to 10 days between the old and new duty station for CONUS moves. Overseas temporary lodging duration limits vary. Soldiers may not receive temporary lodging while on leave.

CIRCUMSTANCES THAT WILL IMPACT UPON A SOLDIER'S PAY

Outprocessing: Once soldiers receive PCS orders they should schedule an appointment with their PAC or personnel section in order to obtain guidance about clearing their current unit of assignment, obtaining any advance pays, and to have any questions they may have answered.

Inprocessing: When soldiers arrive at their new duty station there are a few things they must do at the finance office. First, they must **file** their travel voucher, DD Form 1351-2. Their travel voucher will be computed at the finance office and soldiers will be paid any authorized travel money minus any advances they may have received. If their advances were more than their authorized amount, soldiers will have a debt to the government, which they must repay.

When soldiers inprocess at finance they must bring copies of any paperwork that may affect their pay. For example, copies of statement(s) of non-availability of government quarters, rental agreement, lease or mortgage paperwork for BAQ/VHA purposes, marriage certificates, divorce decrees, birth certificates, adoption papers or anything else that may affect pay.

If soldiers are eligible to receive separate rations, BAQ and/or any other allowances or entitlements, the PAC and the finance office will ensure the soldiers' pay, allowances, and entitlements are started. Also, if entitlements change in any way (start/stop FSA, foreign duty pay, etc.), the soldiers pay account should reflect those changes on their next LES.

Separation Transitions: When a soldier leaves the service he must do a great deal of planning. First, on the month a soldier separates from service, **no allotments** will be deducted from his pay. It is important to plan ahead and ensure that any financial obligations that were previously paid by an allotment are paid by the soldier.

Any leave accrued on the day soldiers leave the Army, will automatically be cashed in, as long as it does not exceed the 60 day maximum. If soldiers owe any excess leave, which is leave already taken before accruing the leave, the amount of pay equal to the excess leave used will automatically be deducted out of their final separation payment.

Soldiers **will not** get a mid-month payment (if elected to receive mid-month pay) the month they separate. Their leave and earning statement (LES) should be different the month before they separate. In the REMARKS section, it will say: "**DOS** (date of separation), **NO REENLISTMENT DATA, PAY WILL BE SUSPENDED (date).**" Soldiers planning to separate from the Army who do not get this message on their LES should see their PAC immediately.

If separation message appears on a soldier's LES who is not leaving the Army, a copy of the reenlistment contract must be brought to the PAC **IMMEDIATELY**.

Soldiers planning to separate from the Army should schedule an appointment with the clerk at their PAC at least two months prior to getting out in order to review and ensure that all of the separation paperwork is correct. This would be an ideal time to ask questions concerning final pay, allowances, and allotments, so that soldiers can plan accordingly.

When soldiers separate from the service they will receive an advance travel pay. This advance travel pay will pay soldiers from their final duty station to their home of record or location where they entered active duty. To obtain the remainder of their travel pay, soldiers must complete a DD Form 1351-2 and return it to their finance office. Normally, the soldier will receive the correct mailing address for the travel voucher during outprocessing appointments. Soldiers may also apply for a Do It Yourself Move (DITY) when separating from the Army.

Reenlistment: Depending on a soldier's MOS and his time in service he may receive a reenlistment bonus. If soldiers are entitled to a reenlistment bonus, they will receive their reenlistment bonus in installments less federal and State taxes. The first installment is equal to half of the bonus less federal and State taxes. The remainder of the reenlistment bonus will be paid in equal annual installments -- the number of installments depends on the length of the enlistment. The reenlistment NCO will be able to tell soldiers the amount of the payments before taxes and the payment schedule.

When soldiers reenlist they may cash in up to 30 days of accrued leave as long as it is within 90 days of their ETS. Soldiers receive the amount of their base pay for the number of days they cash in, less any taxes. Remember soldiers can only cash in 60 days of leave during their entire career.

DEDUCTIONS

There may be several deductions taken out of soldiers pay, such as taxes and fines. The most common deductions are taxes, which are explained below.

Federal Income Tax: All soldiers have to pay federal income tax on base pay and other types of pay. Some allowances, like BAQ, are not taxable. Also, certain exemptions for combat and imminent danger pay zones may apply.

Federal Insurance Contributions Act (FICA) Taxes: This tax, deducted as FICA-MEDICARE and FICA-SOC SEC, is deducted from all salaries of employees covered by the Social Security Act. All soldiers must pay this tax.

The Army deducts these federal taxes from all entitlements that end in the word "PAY" (base pay, foreign duty pay, special duty pay, etc.).

State Income Tax: If a soldier's State of legal residence has a State income tax a soldier may have to pay State taxes depending upon the State . If required to pay State taxes these taxes will automatically be deducted from a soldier's pay.

In addition to taxes there are several other common deductions, which are explained below.

Army and Air Force Exchange Services (AAFES): All unpaid deferred payment plan (DPP) charges that are overdue will be deducted from a soldier's pay.

Uniformed Soldiers' and Sailors' Home (USSH): All Regular Army enlisted soldiers and warrant officers have 50 cents automatically deducted from their pay to contribute to the upkeep of these homes.

Servicemember's Group Life Insurance (SGLI): Individual soldiers elect to have up to \$18 deducted each month from their pay to purchase up to \$200,000 worth of life insurance. The amount of coverage and cost of SGLI changes periodically.

State Sponsored Life Insurance (SSLI): National Guard soldiers can purchase SSLI in addition to SGLI. Individual soldiers who elect to purchase SSLI have their insurance premiums automatically deducted from their pay.

Fines and Forfeitures: Commanders can take away some of soldiers' pay if they get into trouble and get an Article 15 or a court martial conviction.

Garnishments: Soldiers who are delinquent in alimony payments to a former spouse, child support payments, IRS or commercial debts can have their military pay "garnished" to meet their financial obligations. After the court/legal actions are complete, the individual or agency sends the request to Defense Finance and Accounting Service (DFAS) Cleveland to be processed and collected from the soldier's pay.

Government Property Lost or Damaged (GPLD): Soldiers who lose or damage government property through their own negligence will have to pay to fix or replace the property. When this happens, the Army will automatically deduct the money from the soldier's paycheck.

Bad Checks: If soldiers write "bad checks" (i.e. checks that are returned due to insufficient

funds in their checking account) at the post exchange (PX), commissary, finance office, clothing sales, club system, shopette, or any other government agency, the money due to the government agency will automatically be deducted from the soldiers' pay. This deduction will also include the return check fee charged by the agency. The return check fee ranges from \$25 to \$35 per check.

Montgomery G.I. Bill: Active duty soldiers who elect this option will have a specific monthly deduction from their pay for a specific period of time to pay for this educational benefit.

ALLOTMENTS

An allotment is a designated portion of soldiers' pay and allowances, which is authorized to be paid to qualified allottees. A qualified allottee is any person or institution to whom the allotment is made payable. Allotments are a very convenient way to meet financial obligations on a regular basis. They are sent even if soldiers deploy, are on leave, TDY, or in the hospital.

There are various types of allotments and limits as to the number of allotments soldiers may have at one time. Active duty soldiers are authorized no more than six discretionary allotments at one time. Discretionary allotments are regulated by a soldier's personal judgment. Allotments used to make contributions to the Army Emergency Relief (AER), Combined Federal Campaign (CFC), American Red Cross, repayment of a debt to the government, and savings bonds do not count towards the six discretionary allotments.

To start an allotment, soldiers need to go to their PAC to fill out the proper form. The chart below gives examples of the different type of allotments and the purpose for utilizing each type.

<i>ALLOTMENTS</i>	
<i>TYPE</i>	<i>PURPOSE</i>
Bank*	Payment of consumer loans, car note, deposits to a bank account, etc.
Voluntary Support*	Support of legal dependent.
Mortgage Payment*	Payment of home mortgage or rent.
Non-Individual Allotments*	Payment to Mutual Fund and Insurance Companies.
Charitable Contributions**	Contribution to AER, CFC, etc.

Loan	AER or Red Cross loan repayment.
Authorized Purchases	Purchase of U.S. Savings Bonds.

** Discretionary allotments are limited to six. All other allotments are unlimited.*

*** Authorized only one Combined Federal Campaign (CFC) and one Service Relief Organization (Army Emergency Relief (AER)).*

PRACTICAL EXERCISES

CHAPTER 1 - PAY, ALLOWANCES, AND DEDUCTIONS

1. What is Basic Allowance for Quarters (BAQ)? When does a soldier receive BAQ?
 2. Does a soldier get more BAQ if he has dependents?
 3. When are soldiers paid Basic Allowance for Subsistence (BAS)?
 4. How often do soldiers get a Clothing Allowance?
 5. Other than CFC, AER, ARC contributions, and savings bonds, how many allotments can soldiers have?
 6. What entitlements do soldiers have to pay taxes on?
 7. How many days of leave can soldiers cash in when they reenlist? What are the restrictions?
-

CHAPTER 2 ACTIVE COMPONENT (AC) ENTITLEMENTS

This chapter addresses entitlements for Active Component (AC) and Active Guard and Reserve (AGR) soldiers (hereafter both will be referred to as AC soldiers). It covers pay and allowances, travel pay, deployment entitlements, permanent change of station (PCS), pay options, leave and earning statements (LESs) and the Mid-month Net Pay Advice (NPA). AC soldiers are paid on the Defense Joint Military Pay System-Active Component (DJMS-AC).

All AC soldiers receive monthly base pay and may be eligible for additional entitlements such as BAQ, BAS, and VHA depending upon their duty assignment and if they have family members. The following examples are the most common scenarios that determine eligibility for AC soldiers to receive their food and housing allowances.

Single Enlisted Soldiers (SSG & Below): A single, enlisted soldier in the rank of SSG and below living in the barracks or bachelor quarters and provided government meals is entitled to base pay and partial BAQ. If this same soldier is eligible to receive any special pays for special work, these payments would also appear on the LES as additional entitlements.

Single Enlisted Soldiers (SFC & Above): A single, enlisted soldier in the rank of SFC and above can normally elect not to occupy government quarters. When these soldiers elect not to live in government quarters they are entitled to their base pay, BAQ at the without dependents rate, VHA (if assigned to a geographic area authorized VHA), BAS, and any authorized special pays.

Enlisted Soldiers with Dependents: Enlisted soldiers with dependents can apply for government quarters. If these soldiers occupy government quarters they receive their base pay and BAS. If government quarters are not available the soldier and family members live off-post and are entitled to BAQ at the with dependents rate, BAS, VHA (if assigned to a geographic area that qualifies for VHA), and any authorized special pays.

Officer Personnel: Single officers who do not occupy government quarters are entitled to their base pay, BAQ at the without dependents rate, BAS, VHA (if assigned to a geographic area that qualifies for VHA) and any authorized special pays. Single officers in government quarters are entitled to their base pay, partial BAQ, BAS, and any authorized special pays.

Officers with family members can apply for government quarters. If they occupy government quarters they receive their base pay, BAS and any other authorized special pays.

If government quarters are not available and officers with family members reside off-post, they are paid their base pay, BAQ at the with dependents rate, BAS, VHA (if assigned to a geographic area that qualifies for VHA) and any authorized special pays.

Dual Status Military Couples: Dual status military couples can apply for government quarters. If they occupy government quarters each soldier receives base pay, partial BAQ, BAS, and any other authorized special pays.

If government quarters are not available and a dual military couple resides off-post each are paid base pay, BAQ at the without dependents rate, BAS, VHA (if assigned to a geographic area that qualifies for VHA), and any other authorized special pays. If they have a dependent(s) one soldier can claim the dependent(s) and be paid BAQ at the with dependents rate.

TRAVEL PAY

Travel pay for both active and reserve soldiers is covered in chapter 4. A sample travel voucher, DD Form 1351-2, is included and reviewed in chapter 4.

PERMANENT CHANGE OF STATION

Permanent Change of Station (PCS) orders are official notification that soldiers permanent duty station will be changing and they will be moving. A PCS move may entitle soldiers and their dependents to travel and transportation allowances, transportation of household goods (HHG) and privately owned vehicle (POV), mobile home allowances, dislocation allowance, and temporary lodging expense.

Once a soldier receives PCS orders, he must make an appointment at PAC to obtain information about clearing the current unit of assignment. At this time, the soldier can ask specific questions concerning the upcoming PCS move. If PAC personnel do not know the answers, they will assist the soldier in obtaining them.

DEPLOYMENT ENTITLEMENTS

Deployments are a common occurrence throughout a soldier's career. In addition to the soldier's base pay and other authorized allowances, there are other entitlements that soldiers may receive when deployed. Some of the most common entitlements are outlined below.

Foreign Duty Pay: Enlisted soldiers receive foreign duty pay for areas authorized by the Secretary of Defense. The amount paid depends on the soldier's rank.

Hostile Fire Pay: Soldiers who are deployed from their unit of assignment and serve on land, aboard a ship, or in an aircraft within an area officially declared by the Secretary of Defense as a "hostile fire zone" or "imminent danger area" are eligible for hostile fire pay, which is currently an extra \$150 a month.

Combat Zone (CZ)/Qualified Hazardous Duty Area (QHDA) Tax Exclusion: Soldiers' tax liabilities also change during war and when serving in an area designated as a CZ or QHDA. A CZ or QHDA is established by Presidential Executive Order. Once the executive order is signed by the President implementing the CZ/QHDA tax exclusion all military pay received by enlisted soldiers and warrant officers is no longer subject to withholdings of Federal and State income

tax.

Commissioned officers eligible for the CZ/QHDA tax exclusion are exempt from paying Federal and State taxes on all military pay received, equal to the maximum rate of pay for the Sergeant Major of the Army plus \$150.

Note: Depending upon the soldiers' legal State of residence they may have to pay State taxes when they are serving in a combat zone even though finance does not withhold any State tax. Soldiers should confirm with legal assistance whether or not they are obligated to pay State taxes.

Family Separation Allowance Type II: Soldiers are entitled to FSA Type II once they have been separated from their families for more than 30 consecutive days. This allowance is paid on the 31st day of separation and is retroactive to the first day of separation.

BAS: Enlisted soldiers entitled to BAS (separate rations) may lose this food allowance when they go on deployments because they are provided rations. However, Congress determines whether or not this allowance will be paid based upon the type of deployment.

FAMILY CARE PLAN

All single parent soldiers and dual military parents with family members are required to maintain a Family Care Plan for their family members in accordance with AR 600-20. The Family Care Plan outlines arrangements that the soldier has made to care for their dependent(s) during any periods of separation.

A Family Care Plan is very important. Single parents and dual military parents must complete a Family Care Counseling List, which assists them and their families in preparing their Family Care Plan for any periods of separation. It is important these soldiers update their Family Care Plan to reflect any changes in their personal life to ensure that the plan is current and the plan will work when needed.

PAY OPTIONS

Active duty soldiers have an option of being paid once or twice a month. In general, soldiers who elect payment once a month will be paid all of their base pay and entitlements minus taxes, designated allotments, and any other deductions on the first day of each month following the month the pay was earned. For example, pay earned in February is paid on 1 March. Soldiers who elect payment twice a month will be paid 50% of all of their base pay and entitlements minus taxes, designated allotments, and any other deductions on the fifteenth of the month and first of the following month. For example pay earned in February is paid 15 February and 1 March.

Normally, if the first of the month is on a Saturday, Sunday, or a federal holiday, payment for the "first of the month" will be made on the last business day of the previous month. Similar rules apply for mid-month payments.

PAY INQUIRIES

Any soldier who has questions concerning their pay, allowances or entitlements should talk to their first line supervisor. The supervisor should be able to answer specific questions or at least assist in getting questions answered.

LEAVE AND EARNING STATEMENT (LES) AND NET PAY ADVICE (NPA)

Every AC soldier will receive a Leave and Earnings Statement (LES) from their unit on the first of each month following the month pay was earned. If soldiers elect to have a mid-month pay, then they will receive a second pay statement, called a mid-month Net Pay Advice (NPA), on the 15th of each month.

In this dialogue, PFC Harris is talking to his first sergeant, 1SG Williams. Read PFC Harris' questions like you were asking them yourself.

QUESTIONS: PFC Harris

ANSWERS: 1SG Williams

Q: Would you explain these two pay statements - the LES and NPA? I'm having trouble figuring out what they're trying to tell me.

A. Well, the first thing you have to understand is how the pay system works. All active Army soldiers are paid by the Defense Joint Military Pay System - Active Component (DJMS-AC). The Army processes everyone's pay at one central location, the Defense Finance and Accounting Service (DFAS).

The computer knows how much to pay you each month, but your pay will be correct only if your servicing finance office properly inputs all actions affecting your pay. This computer also produces your LES every time you get paid. Your LES is the record of your pay.

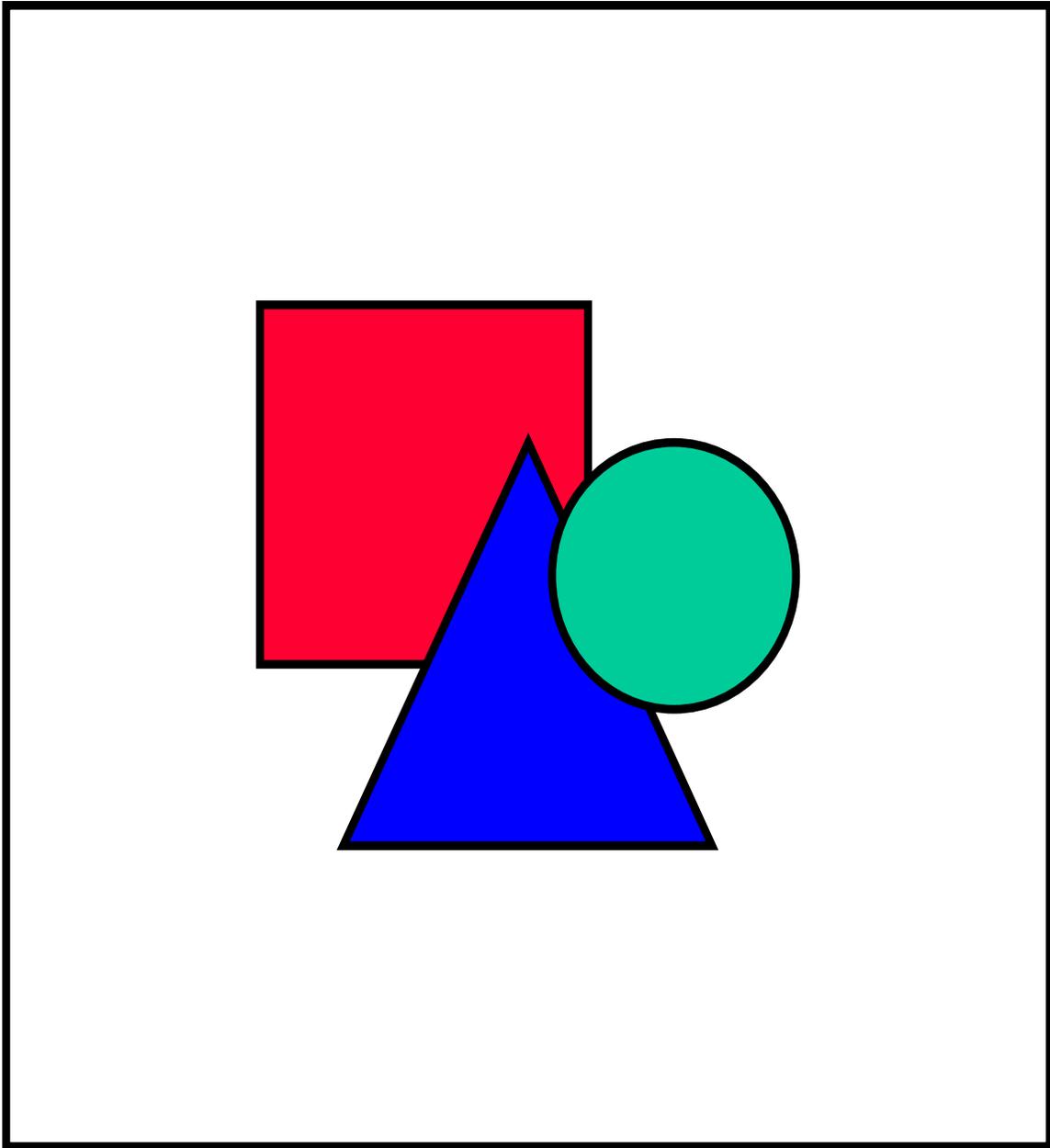
You should already have signed up for SURE PAY, so the computer at DFAS will send your pay directly to your bank. The main advantage is that you know your pay will be in your bank every single payday.

NOTE: *You should keep copies of all your LESs.*

If you have a complex pay problem, you may have to produce up to a year's worth of LESs or more just to get the problem resolved. Plus, LESs will help you in budgeting your money.

The LES has 10 sections. It tells you the amount of pay you received, what the pay was for, how much was taken out of your pay and what for, and how much was sent to your financial institution. A complete sample LES appears on the next page and is explained section by section.

The NPA shows the amount of pay which was sent to the financial institution at mid-month for those soldiers who elect to get mid-month pay. It is also used to get important information out to every soldier. The mid-month NPA statement will be explained later in this chapter.



Q. Can we start with my LES first?

A. Sure. Let's start at the top, with the "ID" section.

ID SECTION

ID	NAME (LAST, FIRST, MI)	SSN	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN DSSN	PERIOD COVERED 1-
	HARRIS, WILLIAM J.	999-99-9999	E3	970215	01	990222	ARMY	2836	28 FEB 97

Q. This section is almost self-explanatory, isn't it'?

A. Yes. It shows your name, social security number (SSN), pay grade, pay date, years of service, ETS date, your branch of service, the code number of your servicing finance office, and the period covered by the LES.

The Defense Finance and Accounting Service (DFAS) uses your social security number to identify your pay account and to distinguish you from another soldier with the same name.

Your SSN is your Social Security Administration account number. Always make sure your SSN is correct, or someone else may get your pay. Your SSN is also your identification number for federal, State, and local taxes.

Q. What if my LES has my name wrong?

A. If your name or any other part of your LES is wrong, see your first line supervisor. They should refer you to the PAC to fill out paperwork to get the information corrected.

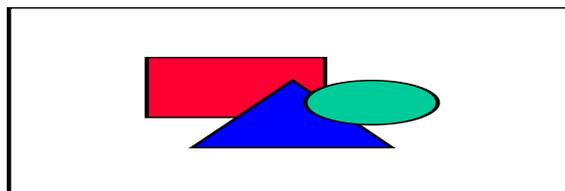
Q. What is an ETS?

A. ETS stands for expiration of term of service. It's the date your current enlistment ends. Check this date, especially if you have reenlisted recently. Your LES should reflect your new ETS.

ENTITLEMENTS SECTION

Q. What does this section tell me?

A. This section lists all of your pay and allowances discussed in chapter 1. A total of all your entitlements appears at the bottom of the section.



DEDUCTIONS SECTION

Q. This is where I pay my taxes, right?

A. Yes, but not just taxes. The SGLI and USSH deductions also appear here. Plus, if you get a mid-month (MM) payment, it appears on your end-of-the-month LES as a deduction.

	DEDUCTIONS	
	TYPE	AMOUNT
	FED TAXES	112.62
	FICA-SOC SEC	58.94
	FICA-MEDICARE	13.68
	STATE TAXES	15.24
	SGLI	18.00
	USSH	.50
	MM	316.98

535.96

ALLOTMENT SECTION

This section shows all of your allotments, either to a bank, financial institution, individual, or for an AER/CFC contribution.

	ALLOTMENTS	
	TYPE	AMOUNT
	CFC ALLOT	3.00
	AER	2.00
	DISCRETIONARY	
	ALT	200.00

205.00

SUMMARY SECTION

Q. The "SUMMARY" section seems pretty easy to follow, but would you explain the abbreviations?

A. The "SUMMARY" section gives the dollar totals of various sections and elements of your LES. Here is what the abbreviations mean:

	SUMMARY	
	+AMT FWD	.00
	+TOT ENT	1057.95
	-TOT DED	535.96

AMT FWD (amount brought forward) is the odd cents carried forward from last month's pay.

-TOT ALMT 205.00
 =NET AMT 316.99
 -CR FWD .00
 =EOM PAY

316.98

TOT ENT (total entitlements) is the total amount of all of your entitlements.

TOT DED (total deductions) is the total amount of all of your deductions.

TOT ALMT (total allotments) is the total amount of all of your allotment collections.

NET AMT (net amount) is the AMT FWD plus TOT ENT minus TOT DED and TOT ALMT.

CR FWD (credit brought forward) is the odd cents from the NET AMT that will carry forward to the next pay period. (This action takes place if your pay option is other than "Check to Financial Institution.")

EOM PAY (end of month pay) is the amount of money you will actually receive on payday.

LEAVE SECTION

LEAVE	BF BAL 12.5	ERND 5	USED 5.0	CR BAL 12.0	ETS BAL 40	LOST 0	PAID 0	USE/ LOSE
-------	----------------	-----------	-------------	-------------------	------------------	-----------	-----------	-----------

Q. What does all this leave information mean?

A. The "LEAVE" section shows a running balance and a history of your leave account. Here is what all the abbreviations mean:

BF BAL (beginning fiscal balance) shows how much leave you had at the beginning of the current fiscal year (FY). A fiscal year starts on 1 October and ends on 30 September the following year.

ERND (earned) shows the number of leave days you have earned so far this fiscal year. You earn two and one-half days each month.

USED shows the number of leave days you have used so far this fiscal year.

CR BAL (credit balance) is the total number of leave days you began with, plus the leave days you earned, minus leave days you used. This is how much leave you have at the end of the month.

ETS BAL (expiration term of service balance) is the number of leave days you will earn up to your ETS date.

LOST is the number of days lost. You must take leave days over 60 days by the end of the fiscal year or you will lose them.

PAID is the number of leave days you have cashed in.

USE/LOSE is the number of leave days over 60 that you must use by the end of this fiscal year, or you will lose them.

Q. How can I lose leave?

A. The only time you ever lose leave is when you have accrued leave in excess of 60 days that you do not use before the end of the fiscal year (30 Sep). There are certain special exceptions granted by Congress during specified periods of deployment that allow you to accrue and carryover leave in excess of 60 days. When you are in a non-duty status, like absent without leave (AWOL), civilian confinement, sick not in line of duty (SNLD), and excess leave, you do not accrue leave.

Q. I heard I could get paid for leave. Is that true?

A. Yes. All soldiers can cash in up to 60 days of leave during their career. They can cash in the leave when they reenlist, extend, or separate from the service. If you have cashed in any leave during your time in service, the number of days cashed in will be shown in the PAID block. Soldiers deployed on contingency operations are sometimes authorized to be paid for more than 60 days of leave.

Q. What happens if I accumulate over 60 days of leave while I'm deployed?

A. If you are deployed for a significant portion of the fiscal year, you may request approval to carry forward more than 60 days of accrued leave from Headquarters, Department of the Army. This entitlement is called Special Leave Accrual (SLA). Your S-1 will assist soldiers in processing requests for SLA.

FEDERAL TAX SECTION

FED TAXES	WAGE PERIOD	WAGE YTD	MS	EX	ADD'L TAX	TAX YTD
	1049.70	2099.40	S	01	.00	225.24

Q. Would you explain the "FEDERAL TAXES" section?

A. Sure. Federal taxes are figured on your pay. The next six blocks show your tax data. Here's what the abbreviations mean:

WAGE PERIOD shows the amount of money you made this pay period that you have to pay taxes on.

WAGE YTD (Year to Date) shows the amount of money you have made so far this calendar year that you have to pay taxes on.

MS shows your marital status. (M = Married, S = Single)

EX shows your number of tax exemptions.

ADD'L TAXES shows any additional taxes you ask to have withheld.

TAX YTD (Year to Date) shows your taxes withheld so far this calendar year.

Make sure the information in the MS and EX boxes is correct.

FICA AND STATE TAX SECTIONS

FICA TAXES	WAGE PERIOD	WAGE YTD	TAX YTD	MED WG YTD	MED TX YTD
	1049.70	2099.40	117.88	2099.40	27.36

STATE TAXES	ST CT	WG PERIOD	WAGE YTD	MS	EX	TAX YTD
		1049.70	2099.40	S	01	30.48

Q. Would you explain what the "FICA TAXES" and "STATE TAXES" section mean?

A. FICA (Federal Insurance Contributions Act) taxes are figured on your base pay. FICA data is shown in the first five blocks. Here's what all the abbreviations mean:

WAGE PERIOD shows your wages subject to tax withholding for this period.

WAGE YTD (Year to Date) shows your wages subject to tax withholding so far this calendar year.

TAX YTD (Year to Date) shows your FICA taxes withheld so far this calendar year.

MED WG YTD (Year to Date) shows your MEDICARE wages so far this calendar year.

MED TX YTD (Year to Date) shows your MEDICARE tax so far this calendar year.

The next six blocks contain State tax data. If your legal residence is in a non-income-tax State, no State tax is withheld. If your legal residence is in an income-tax State, your taxes are based on your taxable earnings for the month and the calendar year.

PAY DATA SECTION

PAY DAT A	BAQ TYPE P*	BAQ DEPN	VHA ZIP	RENT AMT	SHAR E	STA	JFTR	DEPN S	2D JFTR	BAS TYPE	CHA RITY 5.00	TPC	PACID N A52EH 62
-----------------	-------------------	-------------	------------	-------------	-----------	-----	------	-----------	------------	-------------	---------------------	-----	---------------------------

P*: Partial BAQ Rate

Q. What is this section used for?

A. DFAS uses the "PAY DATA" section for information about deductions that relate to your pay account. Here is what all the acronyms and abbreviations mean:

BAQ TYPE shows the type of BAQ you receive.

- DEP indicates the "with dependent" rate
- SINGLE indicates the rate without dependents
- PARTIAL indicates the partial rate

BAQ DEPN shows the type of dependents you have. Spouses and children are primary dependents. Secondary dependents are parents, grandparents, brothers, sisters, etc.

VHA ZIP is the zip code for which you receive VHA. This is the zip code for your permanent duty station.

RENT AMT indicates the amount of rent or mortgage you pay.

SHARE indicates whether you pay rent independently or share the rent payment with other people in the military.

STA (status) shows whether you rent [R] or are a homeowner [H].

JFTR (Joint Federal Travel Regulation) and **2DJFTR** location codes apply only if you are living overseas.

DEPNS shows the number of family members you claim for cost of living allowance purposes.

BAS TYPE indicates your particular type of ration allowance (REG stands for Regular).

CHARITY shows the cumulative AER and CFC contributions you have made.

PACIDN is the code for your unit or PAC.

Q. What should I check in this section?

A. Everything. If there appears to be anything incorrect in any of these blocks, come see me. I will get you an appointment with the PAC. They will schedule an appointment for you at finance, if necessary.

REMARKS SECTION

REMARKS	YTD ENTITLE 2099.40	YTD DEDUCT 1071.92	
	BANK JONES BARNES CREDIT UNION ACCT #9999999999-101		

Q. What goes into the "REMARKS" section?

A. This section shows your entitlements and deductions so far this calendar year. Other than that, the "REMARKS" section explains entries in the other sections, as well as other useful information.

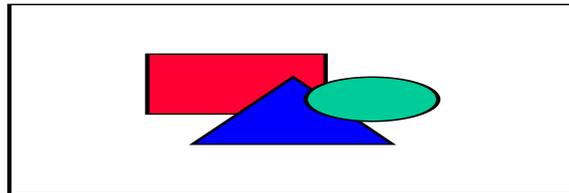
Q. Like what?

A. It will show you if you have been charged any leave this pay period, the financial institution and account number your check goes to each month, the status of any outstanding debts to the U.S. that you have, and any change in your pay option during this period. If you get promoted, that action will show up in this section along with your effective date of promotion.

NET PAY ADVICE

Q. What is the Net Pay Advice (NPA) statement used for?

A. The Net Pay Advice (NPA) shows how much you received for your mid-month pay and where it was sent. DFAS also uses it to put out important information.



Q. I don't get a mid-month payment. Will I still get an NPA?

A. Only if something has changed since your last LES, like your financial institution or rank. You will also get one if there is important information in the remarks that all soldiers should receive.

Q. What do the blocks on the NPA statement mean?

A. Most of these blocks are self-explanatory. Blocks 1 and 2 contain your name, PACIDN, and social security number. Block 3 identifies the finance office that handles your pay. Block 4 is the mid-month pay date -- this will be the 15th of the month, unless it falls on a weekend or holiday. Block 5 is your SURE PAY account number at your financial institution. Block 6 indicates the amount of your mid-month payment. Block 7 shows your financial institution and its address. Block 8 contains remarks and information from DFAS.

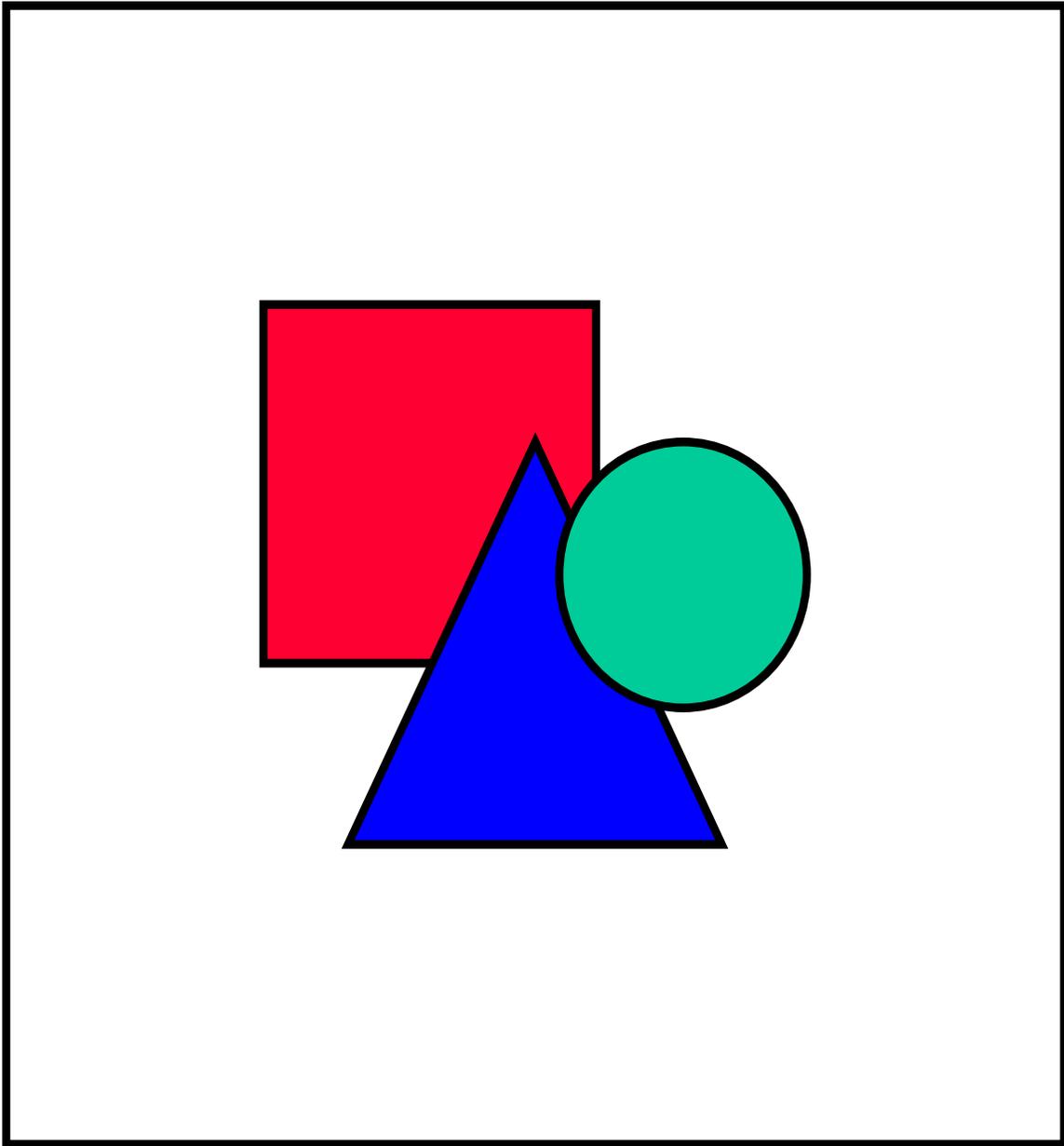
PRACTICAL EXERCISES

CHAPTER 2 - ACTIVE COMPONENTS (AC) ENTITLEMENTS

Section I - Questions 1 - 10 refer to the Leave and Earnings Statement (LES) that appears on the next page for PFC Harris.

1. Where is the social security number recorded on the LES?
2. How much money did PFC Harris get paid on this payday?
3. How much money did PFC Harris get paid in the middle of the month?
4. What are PFC Harris' total deductions on his LES?

5. How much federal tax was withheld from PFC Harris' pay this month?
6. How much State tax has been withheld from PFC Harris' pay so far this year?
7. How many leave days does PFC Harris have accrued at the end of this month?
8. What is an ETS? When is PFC Harris' ETS?
9. What type of BAQ is PFC Harris currently receiving? What does this mean?
10. What is the name of PFC Harris' financial institution?



Section II - Questions 11 and 12 refer to the mid-month Net Pay Advice (NPA).

11. What is the purpose of an NPA?

12. Who gets an NPA?

CHAPTER 3

RESERVE COMPONENT (RC) PAY ENTITLEMENTS

This chapter addresses the Reserve Component pay system. It covers the pay system, allowances, and travel claims for all RC soldiers. It is common for AC and RC soldiers to serve together on missions. Soldiers must understand the basic differences between the AC and RC pay systems, entitlements, and how to interpret the LES for RC soldiers.

The primary focus of this chapter is on inactive duty training (IDT) RC soldiers. These are soldiers who meet on scheduled IDT dates with their units (called "troop program units" or "TPUs") to train and accomplish basic administrative functions. These TPUs are very similar to units in the AC, except they only operate part-time. In most cases, they conduct 48 IDT periods per year and 2 weeks of annual training (AT).

PAY SYSTEM

RC soldiers receive pay through the Defense Joint Military Pay System - Reserve Component (DJMS-RC). The only RC soldiers who are currently paid by DJMS-AC are soldiers who are on active duty in Active Guard/Reserve (AGR) status within the reserve component.

The DJMS-RC system pays eight times per month. RC soldiers are paid depending on their duty performance, and will receive a Leave and Earning Statement (LES) as verification of payment. The RC soldier will receive an LES each time a payment for duty performed is made. RC soldiers may also receive an LES when an administrative change is made to the Master Military Pay Account (MMPA), such as a promotion.

It is important to note that a RC soldier could receive up to eight LESs within one month, but receipt of an LES should not always be associated with the soldier receiving pay. Thus, it is important to read each LES carefully to ensure that RC soldiers are receiving the proper pay for duty performed as well as to review any administrative changes that have been processed in their MMPA.

DJMS-RC LESs are sent to the address designated by the RC soldier (normally their home address), not to the unit. The reserve unit does not receive a copy of its soldiers' LESs. Instead the unit receives a paper copy of its soldiers' Master Military Pay Accounts (MMPAs) the month following the date of the LES. The MMPA contains a soldier's pay history for the preceding 12 months. RC soldiers, once they receive their LES, will have the most current pay information.

RC PAY and VARIOUS ALLOWANCES

The base pay of RC soldiers is prescribed by law. The pay of RC soldiers is calculated as 1/30 of an active-duty member's monthly pay, which is based upon pay grade and years of service. However, the type of duty performed determines the pay and allowances RC soldiers receive.

INACTIVE DUTY TRAINING (IDT)

Each reserve IDT period is divided into unit training assemblies (UTAs). Each UTA is at least 4 hours long. A group of UTAs, such as a Saturday and Sunday IDT weekend, are known as a MUTA (Multiple UTA). RC soldiers attending these assemblies are performing inactive duty training (IDT).

A RC soldier receives a day of base pay for each 4-hour UTA performed satisfactorily. Reservists enjoy a multiplying effect when they get paid for participating in a MUTA 4. So, a RC soldier who satisfactorily performs an IDT weekend consisting of a MUTA 4 (i.e. performs 4 UTAs), receives 4 days of their base pay. For example, a RC soldier in the grade of SSG with 14 years of service gets \$64.89 per UTA performed, or \$259.56 in an IDT weekend consisting of a MUTA 4 according to the 1997 military pay chart.

While in an IDT status, RC soldiers are not eligible for the basic allowance for subsistence, basic allowance for quarters, or the variable housing allowance, the three main tax free allowances paid to active duty soldiers.

ANNUAL TRAINING (AT)

RC soldiers are required to perform annual training (AT) each year. Annual training gives the unit an opportunity to apply those skills practiced in IDT. Usually this training is a 2 week period, but occasionally it may be up to 29 days for more complicated or intense training. Sometimes AT will be conducted in a foreign country to provide special climate or geographic training not available in the United States. This is called overseas deployment training (ODT).

Some RC soldiers are assigned to units that are authorized year around annual training (YAAT). YAAT unit soldiers may perform their AT in increments of 1 or more days instead of the normal 15 days of continuous AT duty.

RC soldiers on AT are entitled to the following pay and allowances while on AT.

Mileage Allowance: If authorized to drive a privately owned vehicle (POV), the RC soldier is entitled to mileage reimbursement. In most cases, the orders will restrict reimbursement to not exceed the Government's cost of air transportation.

Per Diem Claims: All AT travel claims that involve payment of per diem should be claimed on a travel voucher, DD Form 1351-2 and submitted to the servicing finance office.

BAQ: RC soldiers who are entitled to BAQ are paid a pro-rated amount for BAQ (i.e. they are paid 1/30 of the monthly amount multiplied by the number of days they are on active duty) while on AT. For example, for 14 days of AT, the RC soldier receives $14 \times \frac{1}{30} \times \text{BAQ}$.

BAS: Officers will be paid BAS while on AT. An enlisted soldier's orders will specify the availability of rations. If government rations are unavailable, the enlisted soldier will be paid BAS at the determined rate. If government mess is available the enlisted soldier will not be paid BAS.

VHA: RC soldiers on AT are not entitled to VHA.

Leave: RC soldiers on AT do not accrue leave.

ACTIVE DUTY FOR SPECIAL WORK (ADSW) / TEMPORARY TOURS OF ACTIVE DUTY (TTAD)

A RC soldier can volunteer to go on periods of active duty for special work (ADSW), which is an extended period of active duty, if they meet the prerequisites for the duty. ADSW tours are normally used for special projects that help improve the readiness of a unit and cannot be completed by the full time unit staff. Temporary tours of active duty (TTAD) are RC support of AC projects and are funded through the AC. The length of time in this status can range from 1 day to 179 days during a fiscal year (1 October through 30 September of the following year), although tours beyond 139 days require special approval.

RC soldiers on ADSW or any other type of active duty for 30 consecutive days or more are entitled to monthly pay and allowances for their grade and years of service and are authorized leave and certain special pays.

Mileage Allowance: Mileage allowance is paid for the first day of AD from the RC soldier's home of record (HOR) to their duty assignment and for their last day of AD from their duty assignment to their HOR.

Per Diem Claims: For periods of AD that involve per diem, claims must be filed on a travel voucher, DD Form 1351-2 and submitted to the servicing finance office.

BAQ: RC soldiers entitled to BAQ, who are on AD for 30 consecutive days receive the monthly rate of BAQ for their grade. For periods of AD less than 30 consecutive days they are paid a pro-rated portion of their BAQ entitlement.

BAS: Officers will be paid BAS while on AD. Enlisted soldiers will be paid BAS at the determined rate while on AD if a government mess is unavailable. If a government mess is available, enlisted soldiers will not be paid BAS.

Clothing Allowance: RC officers can receive a supplemental uniform allowance of \$100 when they enter into AD for 90 days or more or who serve on AD for 90 consecutive days or longer - provided they have not received a supplemental uniform allowance payment for a period of service ending during the previous two years.

Enlisted RC soldiers are provided uniforms, shoes, boots and insignia they need at no charge when they first come on active duty. They are not usually eligible for clothing replacement allowances unless they are ordered to active duty for more than six months. If they do become eligible for replacement allowances, the subsidy will be prorated for their time on active duty.

VHA: RC soldiers on AD, who receive **a single order for 140 days or greater** and who are receiving BAQ, are entitled to VHA if they are assigned to a geographic area authorized VHA.

Orders that are amended for an extended period to exceed 140 days of active duty do not qualify the soldier for VHA. If the extension is for 140 days or more, VHA will be paid for the period of the extension. For additional information see chapter 7, part G, JFTR, volume 5.

FSA II: During an AD tour a RC soldier who is separated from their family for more than 30 consecutive days, is eligible for FSA II. FSA II is paid on the 31st day and is retroactive to the first day of separation.

Leave: A RC soldier who serves on AD for periods of 30 consecutive days or more, accrues leave at the rate of 2.5 calendar days for every 30 days of active duty service.

RC soldiers receive a lump-sum payment for unused accrued leave upon completion of their tour. RC soldier must submit a written request in order for this action to take place. Since 10 February 1976, accrued leave settlements are limited to 60 days during a military career.

However, the 60-day limitation may be waived for RC soldiers participating in contingency operations. For additional information see DOD 7000.14-R, Volume 7A, paragraph 80206, for Reserve Component accrued leave entitlements.

When consecutive tours are involved, RC soldiers have the option to be reimbursed for any unused accrued leave or may have it carried forward until completion of their final tour. Remember tour lengths must be 30 consecutive days in length in order to accrue leave.

FAMILY CARE PLAN

In addition to preparing themselves for IDT, annual training, and mobilization, RC soldiers must also prepare their families for these periods of separation. This is accomplished through the preparation of a Family Care Plan.

Single RC soldiers and dual military couples with dependents are required to maintain a Family Care Plan in accordance with AR 600-20. The RC soldier's Family Care Plan outlines the arrangements that the soldier has made to care for his dependent(s) during any periods of separation. A Family Care Plan is important for all families, but it is required for single parents and dual military couples with dependents.

MOBILIZATION

Mobilization is the process by which the Armed Forces assembles and organizes personnel, supplies, and materials for active military service or use in the event of war or other national emergency. Mobilization may include calling to active duty Reserve units and individual RC soldiers.

Mobilization Authority: Only the President and/or Congress has the authority to order Federal mobilization. The Secretary of Defense, with the advice and recommendations of the Service Secretaries and Joint Chiefs of Staff, recommends to the President and Congress the required level of mobilization. The Secretary of Defense directs mobilization of Reserve units and individual RC soldiers.

Presidential Select Reserve Call-Up (PSRC): The President has the authority to activate up to 200,000 selected Armed Forces Reservists and the resources needed for their support, for up to 270 days without the approval of Congress.

Pay and Allowances: All called or mobilized RC soldiers receive the same pay and allowances as they do when they are on active duty for 30 consecutive days or more. In addition soldiers may receive other special duty pays for which they qualify.

In this dialogue, SPC Riggins is talking to her first sergeant, 1SG Martinez concerning the effect mobilization will have on her pay and allowances. Read SPC Riggins' questions like you were asking them yourself.

QUESTIONS: SPC Riggins

ANSWERS: 1SG Martinez

Q. Once mobilized how can I verify that my military pay account is correct?

A. At the mobilization site, you will have an opportunity to review your Master Military Pay Account (MMPA) to make sure that it is correct. If it is not correct you will have an opportunity to make changes. (*As an additional note*, RC soldiers can verify their MMPA during their IDT assembly, as part of mobilization preparation, or during their annual birth month audit, and make any necessary changes.)

Q. As a reserve component soldier, upon mobilization, who do I contact if I have a pay problem?

A. Use your **CHAIN OF COMMAND**. Try to resolve your pay problem at the lowest level starting with your chain of command. If your pay problem cannot be answered by your chain of command, then contact the nearest finance office.

Q. When I go to the local finance office with a pay problem, do I tell them that I am a member of the Reserves or National Guard on active duty? Or am I considered Regular Army because I have been mobilized for active duty?

A. If you have to go to finance for any pay inquiries or if you are requesting an advance pay it is very important to identify your component correctly. So, if you are a member of the reserves you would identify your component as *United States Army Reserve (USAR)* or *Army National Guard (ARNG)*.

Your component does not change, but your status changes from an inactive reservist to a reservist ordered to active duty for a specified or unspecified period of time. By correctly identifying your component you will assist the finance office in correctly resolving your pay problem.

Q. Will I automatically receive VHA and CONUS COLA once I am mobilized?

A. In order for RC soldiers to receive these entitlements they must first be entitled to BAQ. Receipt of VHA is not automatic. In order to receive VHA, you must complete DA Form 5960 (Authorization to Start, Stop, or Change Basic Allowance for Quarters (BAQ), and/or Variable Housing Allowance (VHA)), attach a copy of your mortgage statement, lease or rental agreement, and forward this to the finance office.

The monthly CONUS COLA allowance is meant to offset regional differences in cost of transportation, taxes, food and other items. Like VHA, to receive CONUS COLA the soldier must be entitled to BAQ.

Q. How will I get a copy of my LES? Also, can my spouse obtain a copy while I am deployed?

A. For mobilized RC soldiers, two copies of their LESs are distributed. One copy is sent to the soldier's unit and the second copy is sent to the local address designated in the RC soldier's MMPA. The unit still receives a paper copy of the MMPA.

Combat Zone (CZ)/Qualified Hazardous Duty Area (QHDA) Tax Exclusion: Taxes also change for RC soldiers during war and when serving in an area designated as a CZ or QHDA. A CZ or QHDA is established by Presidential Executive Order. Once the executive order is signed by the President implementing the CZ/QHDA tax exclusion, all military pay received by enlisted soldiers and warrant officers is no longer subject to withholdings of Federal and State income tax.

Commissioned officers eligible for the CZ/QHDA tax exclusion are exempt from paying Federal and State taxes on all military pay received, equal to the maximum rate of pay for the Sergeant Major of the Army plus \$150.

Note: RC soldiers may have to pay State taxes when they are serving in a combat zone even though finance does not withhold any State tax. RC soldiers can check with their legal assistance office to confirm whether or not they are obligated to pay State taxes.

The Soldiers' and Sailors' Civil Relief Act (SSCRA): This Act was enacted in 1940 by Congress to protect and offer relief to "those who dropped their affairs to answer their country's call to duty."

Once on active duty, many RC soldiers may find their military paychecks are much less than their civilian paychecks. As a result of the reduced income many RC soldiers are no longer able to meet their monthly financial obligations. The SSCRA provides help in keeping the military service from becoming a financial hardship for many RC soldiers.

Protection under the SSCRA begins the day RC soldiers start serving on active duty. Protection under SSCRA ends the day they are discharged from active duty.

The Act can protect RC soldiers against foreclosures on homes and other property purchased *prior to* their being ordered to active duty. It also reduces payments to creditors because the maximum rate of interest (including service charges) on debts incurred *prior to* entering active duty is reduced to 6% during the period of active duty. Except for student loans, this protection applies to most financial obligations and liabilities, including home mortgages, credit card debts, and automobile loans, where RC soldiers are principally liable in their personal capacity. This act can also delay any pending legal proceedings. Consult the unit legal officer for more information pertaining to the SSCRA.

Reemployment Rights: The Uniformed Services Employment and Reemployment Rights Act (USERRA) was signed into law in December 1994. USERRA all but guarantees that Reserve or National Guard members activated for an emergency or training do not have to worry about losing their civilian job during their absence.

Any RC who experiences reemployment problems can obtain assistance from The National Committee for Employer Support of Guard and Reserve, (800) 336-4590. If employers refuse to reinstate RC soldiers to their former position or a position equivalent in pay and responsibility, the RC soldier should contact the Department of Labor, (800) 442-2838.

Veterans' Benefits: The Department of Veterans' Affairs (DVA) administers a number of benefit programs. To be eligible, **RC soldiers must have completed a required number of days of active duty service other than initial training (IET) under an initial active duty**

training (IADT) program, and be discharged or separated under other than dishonorable conditions.

There are exceptions for veterans discharged for service connected injuries/illnesses with less than the required minimum periods of service. Always check with your local VA office to determine your eligibility for any particular benefit. Veterans organizations such as the American Legion or VFW will also assist you in determining your eligibility for a particular benefit.

The DD Form 214, Certificate of Release or Discharge from Active Duty, will be required to establish eligibility. Currently the benefits include:

Medical: for service members who have a service- connected disability.

Training: for those with service-connected disability.

Home Loan Guarantee: low interest rate, no down payment, and a long repayment period is currently available to members who have been transferred with at least 6 years of active or satisfactory RC service (minimum of 50 retirement points per retirement year). RC soldiers with 90 days of continuous active duty service during 2 Aug 90 to 27 Aug 91 for service during the Persian Gulf War or a total of 24 months continuous active duty since 28 Aug 91 also qualify for this benefit.

Disabled Veterans: have additional benefits available. Contact the local Department of Veterans Affairs (DVA) for more information, and ask for the book *Federal Benefits for Veterans and Dependents*.

Certificate of Release or Discharge From Active Duty (DD Form 214): is the most important document that the Army gives a soldier leaving active duty. It is essential for establishing eligibility for many veterans benefits.

After completion of 90 days or more of continuous active duty, the unit PAC should issue a DD Form 214 in accordance with Paragraph 1-4a(1)(b), Army Regulation 635-5, Separation Documents. Soldiers must ensure that they obtain a DD Form 214 from their separation point for all eligible periods of active duty and keep it in a safe place.

During *OPERATION DESERT SHIELD/DESERT STORM*, mobilized reservists serving on active duty for 90 consecutive days became entitled to veteran's benefits.

LEAVE AND EARNINGS STATEMENT (LES)

An LES will be generated when a non active duty Reservist has account activity, e.g., payment and or certain administrative changes to the soldier's account. When an LES is generated it will be mailed directly to the soldier's MMPA address. The return address will be the soldier's unit address. LESs will not be provided to the unit.

A reservist receives the same LES as an active duty soldier, but not all blocks of the non active duty LES apply to a reservist. An example of an LES is displayed on the following page. The information contained in each block of the LES is explained below.

Name: Soldiers name (last, first, MI)

SSN: Social Security Number

Grade: The pay grade (E1-E9, O1-O8, W1-W5, and O1E-O3E)

Pay Date: Pay Entry Basic Date

YRS SVC: Years of Service as of this LES

ETS: Expiration Term of Service

Branch: For Army National Guard, ARNG
For Army Reserve, USAR

ADSN/DSSN: Will show `5570' for Army.

Period Covered: The period ending for the update which produced the LES. This is also the check date.

Entitlements: This section breaks down all entitlements paid for this LES. The left side will show the type of entitlement (e.g., basic pay, incentive pay) and the right side will show the money amount. If there is an overrun of entitlements, they will continue in the remarks section. At the bottom of this column the total entitlements will be shown

Deductions: This section breaks down all deductions for this LES. The left side will show the type of deduction (e.g., SGLI, FICA TAX) and the right side will show the money amount. If there is an overrun, they will continue in the remarks. The total will appear at the bottom.

Allotments: N/A for Reservists

AMT FWD: N/A for Reservists

TOT ENT: Total entitlements for this LES.

TOT DED: Total deductions for this LES.

TOT ALMT: N/A for Reservists

NET AMT: The net payment for this LES.

CR FWD: N/A for Reservists

EOM PAY: N/A for Reservists

LEAVE: N/A for Reservists

FED WAGE PERIOD: Federal wages for this LES.

FED WAGE YTD: Year to date federal wages

FED M/S: Federal Marital status "M" or "S"

FED EX: Federal exemptions

ADDL TAX: Additional federal tax withholding

FED TAX YTD: Federal tax withheld year to date

WAGE PERIOD: FICA wages for this LES.

SOC WAGE YTD: Year to date FICA wages

SOC TAX YTD: FICA tax withheld year to date

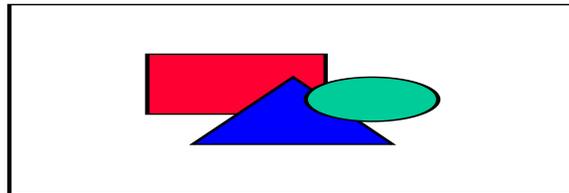
MED WAGE YTD: Medicare wages year to date

MED TAX YTD: Medicare withheld year to date

STATE CODE: State taxing authority code

ST WAGE PERIOD: State wages for this LES
STATE WAGE YTD: Year to date State wages
STATE MS: State marital status - always the same as federal marital status
STATE EXEM: State exemptions - always the same as a federal exemptions
ST TAX ADD'L: N/A for Reservists
ST TAX YTD: State tax withheld year to date
BAQ TYPE: Type of BAQ Status W/O DEP = without dependents, W/DEP = with dependents, WDAGQT = with dependents/assigned government quarters, PARTL = partial
PRIMARY DEPN: Primary dependent type: **NO DEP** = no dependents, **Spouse** = spouse, **CHILD** = child, **PARENT** = parent, **MBRTMBR** = member married to member, own right, **DEPCHLD** = member married to member with dependent child
VHA ZIP: VHA Zip code
RENT AMT: N/A for Reservists
SHARE: N/A for Reservists
STAT: N/A for Reservists
JFTR: Joint Federal Travel Regulation Location
DEPNS: N/A for Reservists
2D JFTR: N/A for Reservists
BAS TYPE: The BAS type: **SEP RT** = separate rations, **RIKNA** = rations not available, **RUEMK** = emergency rations, **NOT AP** = not applicable
CHARITY YTD: N/A for Reservists
TPC: Training Pay Category Code
PACIDN: N/A for Reservists
REMARKS: Every LES shows where the paycheck was sent, what type of account it was deposited in, year to date gross earnings, year to date deductions, and drill performance. Also, any administrative actions that were posted to the MMPA that generated the LES are explained in the remarks section.

SAMPLE



SAMPLE

PAY QUESTIONS

Reservists who have questions concerning their pay, allowances, or entitlements should talk to their first line supervisor. If the first line supervisor does not know the answer to questions he

will assist in getting the right answer.

PRACTICAL EXERCISES

CHAPTER 3 - RESERVE COMPONENT (RC) PAY ENTITLEMENTS

1. What is the name of the RC pay system?
 2. The RC pay system can pay up to how many times per month?
 3. Who has a RC soldier's most current pay information, the soldier or the unit?
 4. When can RC soldiers receive an LES?
 5. What should RC soldiers check on their LES every month?
 6. When a reservist is deployed what should they do if they have a pay problem?
 7. What Act was enacted in 1940 by Congress at the beginning of World War II to protect and offer relief to "those who dropped their affairs to answer their country's call to duty"?
 8. What organization assists reservists who experience reemployment problems after being mobilized for active duty?
-

Chapter 4 TRAVEL CLAIMS

This chapter is written to explain to soldiers the procedures for filing travel claims and to assist soldiers in completing a DD Form 1351-2, Travel Voucher for reimbursement of travel costs. Instructions are provided for completing the DD Form 1351-2, Travel Voucher.

The DD Form 1351-2 is the form soldiers file for travel reimbursement. This form is used by both active duty and reserve component soldiers, but is processed through different pay channels.

To ensure the form is processed through the correct pay channels, check with the local PAC (active duty) or the unit administrator (reserves).

Completion of the travel voucher is the responsibility of each soldier, so it is important to understand how to complete it accurately. Also, soldiers need to know which expenses are reimbursable and which expenses are not reimbursable.

Travel Pay Procedures

Soldiers ordered to travel to a temporary duty location (i.e., TDY including training locations for short periods of AT/ADT/ADSW) may be entitled to one or more of the following:

- a. Mileage reimbursement.
- b. Reimbursement for commercial transportation not to exceed cost of the Government Transportation Request (GTR). Travel arrangements must normally be made through a government transportation office.
- c. Per diem (meals and lodging).
- d. Reimbursement for other authorized expenses.

Before soldiers can be reimbursed for travel, they must have had orders for the travel and duty. Upon completion of the duty and return to their unit of assignment, soldiers must complete their travel voucher. The details of travel allowances can be extremely complex, but in general it is important to remember that:

- a. The DD Form 1351-2, travel voucher, should be completed **within 5 days after completion of travel**.
- b. The voucher must be signed by the traveler in block 21a.
- c. All supporting documents such as orders and original lodging receipts must be attached. All reimbursable expenses of \$75.00 or more must be accompanied by original receipts.
- d. Make the travel voucher legible. It is best to type or computer generate the travel voucher, but if this is not possible print it neatly.

The "Lodging Plus" System of Per Diem

Per diem is a daily allowance to pay for the cost of food, lodging, and incidental expenses while away from home or permanent duty station on official travel. It does not include the cost of items such as parking or car rental which are "reimbursable expenses" that are computed separately.

Meals: The cost of meals and incidental expenses (M&IE) are reimbursed in one of several rates. These rates vary from locale to locale and currently range from \$26.00 to \$38.00 a day.

Soldiers receive 75% of appropriate M&IE rate for the first and last day of travel, regardless of the time of departure or return.

Effective 1 October 1989, enlisted soldiers are entitled to receive full basic allowance for subsistence (BAS) at the separate rations (SR) rate when in a per diem/TDY status.

Lodging: Lodging reimbursement is based on the cost of a single room. The area lodging rate is the **maximum** cost per night that a soldier will be reimbursed for lodging expenses. For example, if a room cost in a \$60.00 area is \$68.00, a soldier will only be reimbursed \$60.00. On the other hand, if a room costs just \$48.25 per night, a soldier would be reimbursed only for the actual cost, not the full \$60.00 allowance.

Government Meals and Quarters: Soldiers who travel to an Army post where both dining and billeting facilities are available are expected to use these lower-cost facilities. When staying in government quarters soldiers will only be reimbursed at the government rate.

Per diem rate for meals will be paid at the daily rate unless soldiers are issued a government meal card. If issued a meal card, soldiers will utilize a government dining facility and will not be reimbursed for meals.

If government lodging and meals are unavailable soldiers will be given a statement of nonavailability. When this happens, soldiers will stay in a hotel and are responsible for obtaining their own meals. This is commonly referred to as "living on the economy."

Soldiers living on the economy receive full per diem for their meals and are reimbursed the actual cost of their room (as long as the room does not exceed the maximum lodging rate for the area). Remember, it is best to verify the per diem rates for the area prior to departing. The per diem rates for all geographic areas are available in the appropriate appendices to the JFTR, volume I, and on the Internet at: [HTTP://WWW.DTIC.MIL/perdiem/pdrates.html](http://www.dtic.mil/perdiem/pdrates.html).

Short Trips: Per diem is not authorized for trips of 10 hours or less (including duty performance and travel in both directions). If a soldier purchases commercial meals during a one-day trip of less than 10 hours, however, the cost of the meals can be claimed as reimbursable expenses on a travel voucher (up to a maximum of two meals, depending on the times of travel shown on the voucher).

Extended TDY: Soldiers who have a government charge card may arrange for their payments to be suspended when in an extended TDY status (more than 30 consecutive days). The traveler should have the credit card manager at their unit inform the card company of their extended TDY status. The card company will suspend payment until the traveler returns. In some cases, soldiers may file an interim travel voucher every 30 days if they do not have a government charge card.

Once soldiers complete their travel they must file a final travel voucher. Remember to include all advance payments received from all interim travel voucher settlements filed during the TDY period.

TRAVEL VOUCHER (DD Form 1351-2)

Probably no other form has caused so much confusion to so many soldiers as the DD Form 1351-2. Proper completion of the form requires no more than a few minutes and most of the questions are self-explanatory. Instructions on completing the DD Form 1351-2 are outlined below. The instructions are followed by a sample of a completed DD Form 1351-2.

Completion Instructions:

Block 1: PAYMENT REQUIRED BY, check Electronic Fund Transfer (EFT). All AD soldiers receive EFT payments and RC soldiers should apply for it when they inprocess at their unit.

Note: Department of Defense (DOD) policy for travel payments requires all travel payments to military personnel be by EFT. When soldiers in-process at their first duty assignment or a new duty assignment they should establish EFT payments for their travel pay.

Block 2: TYPE OF PAYMENT, should be checked as TDY/TAD (DD Form 1610) or Other (e.g., AT, ADT, ADSW) depending on the type of duty ordered to perform.

Block 3: Is for Disbursing Officer (DO) use only.

Blocks 4 - 8: Self explanatory.

Block 9: TRAVEL ORDER NUMBER is the order number found in block 22 on the DD Form 1610 (Request and Authorization for TDY Travel of DOD Personnel) or the order number of an automated order.

Block 10: PREVIOUS PAYMENTS ADVANCES, should be filled in when a travel advance was received (in the example, "\$300.00, Disbursing Office Voucher number 108432, 5 May 93, Fort McCoy, WI").

Block 11: ORGANIZATION AND STATION, represents the name and location of the soldier's unit.

Block 12 - 14: Are only used when a PCS move occurs.

Block 15: ITINERARY, must be completed as follows:

- (a) **Year, day, month, and time of departure** (using the 24 hour clock) from permanent duty

station or place from which ordered to duty.

- (a-c) **Date and time of arrival and departure at each place where mode of transportation changes, intermediate stopovers occur (such as overnight stays), or where duty is performed.** Please note it is not necessary to show each airport if there are plane changes between the point of origin and the destination.
- (d-e) For each entry, **the mode of travel and the reason for stopping** must be shown, using the codes on the back of the form (e.g., "PA" = private automobile, "TD" = temporary duty, etc.).
- (f) **The number of government meals available** while at the duty location must be entered in column 1, even if it is **zero**. **All** can be entered in place of a number, if three government meals a day were available at the duty location.
- (g) **POC MILES**, if travel is by privately owned conveyance, the mileage for each leg of the journey should be entered in column 4.

Block 16: REIMBURSABLE EXPENSES, must include the date of the expense, a brief description, and the amount claimed. Each item must be listed separately in this section to include airline tickets. If per diem is payable, it is not necessary to list meals in this block; meal reimbursement is automatically computed as part of the per diem. If additional space is needed to list expenses refer to block 30 on the reverse side of the travel voucher.

Block 17: LEAVE, if leave or a pass is taken in conjunction with TDY or a PCS move it will be listed in this block. A copy of the approved leave/pass form must be attached to the DD Form 1351-2 as a supporting document.

Block 18: POC (Privately Owned Conveyance) TRAVEL, will be checked as applicable. **OWN/OPERATE** applies to the person who is authorized to drive his/her vehicle and receive mileage allowances for that use. **PASSENGER**, when checked by the person riding with the owner/operator, will receive per diem for the travel time, but not mileage.

Block 19: GOVERNMENT TRANSPORTATION REQUEST (GTR)/MILITARY TRANSPORTATION AUTHORIZATION (MTA), is used when a soldier obtains a GTR or MTA and the points between which transportation was furnished. When no GTR/MTA is used, write "**No GTR**" or "**NONE**" in this block.

Block 20: LONG DISTANCE TELEPHONE CALLS, will be used if long distance phone calls are authorized in performance of official duty. This block **must be signed** by an approving official. The actual cost of the telephone calls are itemized in block 16 as a reimbursable expense.

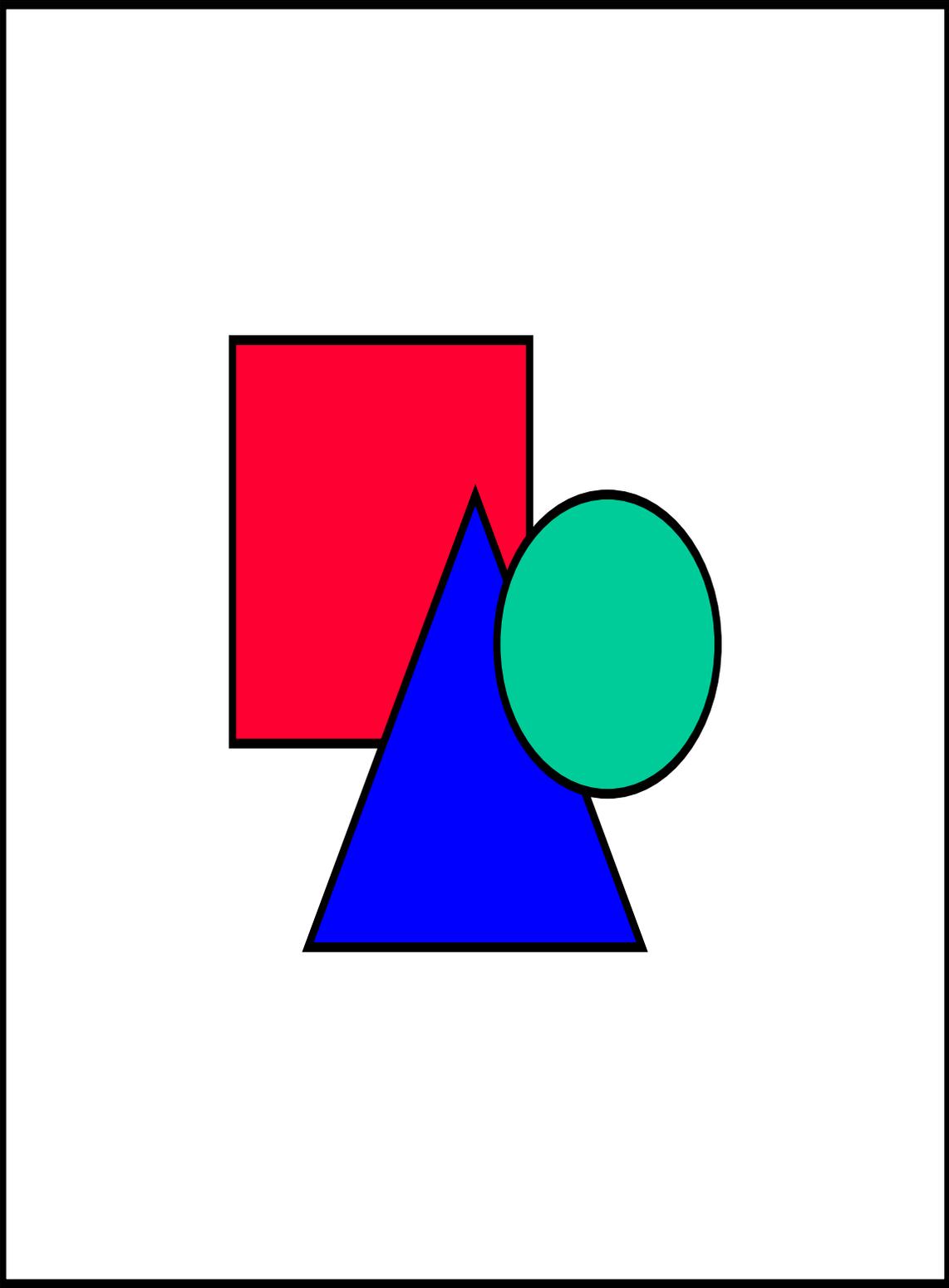
Blocks 21 and 22 are self explanatory.

Blocks 23 - 29 are reserved for the finance travel section personnel.

Required Enclosures:

- a. Five copies of the orders and any amendments.
- b. Traveler's copy of each GTR/MTA, ticket, or receipt for unused GTR/MTA or ticket.
- c. Statement of nonavailability for government quarters and/or mess.
- d. Copy of travel advance and DA Form 31, leave form, for any leave taken in conjunction with travel.
- e. **Receipts.** The original and one copy of the lodging receipt are **ALWAYS** required to substantiate lodging expenses. Credit card slips **ARE NOT** acceptable as receipts.
- f. The original and one copy of all receipts are also required for any miscellaneous expense of \$75.00 or more, such as taxi fares, registration fees, parking and tolls and communication services.
- g. **Car Rental Costs.** In order to be reimbursed for rental car expenses the travel order must authorize a rental car and an original receipt and one copy of the billing is required.

A completed sample copy of a DD Form 1351-2 is provided on the next page. Refer to the instructions above for questions as to what information should go in each block.



PRACTICAL EXERCISES

CHAPTER 4 - TRAVEL CLAIMS

1. What form is used by soldiers to file for reimbursement of travel expenses?
 2. What is per diem?
 3. Under the "Lodging Plus" system of per diem, what are soldiers reimbursed for?
 4. Before a soldier can be reimbursed for travel, what must they have?
-

Chapter 5 FINANCIAL READINESS AND DEPLOYABILITY

This chapter explains the steps soldiers must take in preparing themselves and their family for deployments. It will be much harder to monitor finances during a deployment, so soldiers must protect themselves and their family members from the inevitable financial hardships associated with deployments.

In this chapter's dialogue, SPC Johnson, a single soldier, is asking her platoon sergeant, SFC Mills, about how to manage her finances and what changes if any will occur during a deployment.

QUESTIONS: SPC Johnson
ANSWERS: SFC Mills

Q. How will I get paid or be able to pay my bills if I deploy?

A. We should all have our finances set up so we can deploy without making changes. Now is the time to organize your money so that you won't have to make changes immediately prior to or during a deployment.

You will continue to be paid by the same system and your money will be electronically transferred to your designated SURE PAY account. It is best to establish a checking account and request an automated teller machine (ATM) card for your account. This will allow you to pay your bills with checks and to access your money from most of the ATMs located throughout the world.

Q. O.K., but how do I pay my bills if I am in a combat zone? What if I deploy to a remote site and cannot rely on the mail system?

A. This is where SURE PAY and a checking account will make your life a lot easier. Allotments are a good way to pay fixed debts such as car payments, mortgages, and installment loans because you have a beginning and end date for each of these payments. However, only AC soldiers can establish allotments and are limited to six discretionary allotments. For any bills above and beyond those six you will have to consider some other method of payment.

Most financial institutions will make payments through electronic fund transfer (EFT) if you ask them. The financial institution charges you a nominal fee for this service, but this service will ensure that your bills are paid on time. Thus, you will not incur any late payment charges, worry about delays in the mail system, or damage your credit rating because of late payments stemming from your deployment.

You may also coordinate with your creditors (car payment, insurance, mortgage, etc.) and set up a draft payment - where the company draws a set amount of money from your account each month. Normally there is no fee for this service.

Once you have decided how you will pay your bills when deployed, you need to establish the payment system. I would also recommend you have a list of all of the mailing addresses and amounts of your bills. You should also have the mailing address, phone number, and account number(s) at your financial institution(s). You should take your checkbook and your ATM card with you when you deploy, so you will be able to access your money when needed.

Q. So, once I get the word I'm deploying should I start all of my allotments? Or should I start them now?

A. If you plan to use allotments to pay certain bills you should start them right away. For instance you recently purchased a new car. So, the easiest way to repay your car loan would be through an allotment. If you have not already started an allotment you should consider doing it now. This way it will be one less worry you will have when we deploy because your payments will continue to be made once you deploy.

If you wait until you receive the order that we are deploying, the finance office will be processing a lot of paperwork from other soldiers who waited until the last minute, so yours may

take a lot longer to process. If this happens, it may result in late payments being made to your account. Again, it is better to establish EFT payments for your bills through your financial institution prior to your deployment. They will not be as busy as the finance office and will ensure that your bills are paid on time in your absence.

Q. Suppose I don't get any of this done. Won't I get a chance to do at least some things right before I deploy?

A. That's a tough question to answer. The finance office plans to provide last-minute help, but if everyone waits, there could be a lot of confusion, and some soldiers might not get what they need. In addition to the soldiers deploying, the finance office will also be getting ready to deploy so they can offer support on the battlefield. These preparations to deploy will limit their support in the office.

Waiting until the last minute is not wise. If you are deploying, you will have many important things to worry about other than your finances. So, prepare your finances now as if you are deploying tomorrow to ensure that you are financially prepared when you do deploy. Remember once your unit deploys to a remote site, it may take several weeks to change your pay option or start new allotments.

Q. Do my entitlements change during a war or deployment?

A. Good question. Yes, your entitlements do change when you deploy. First, if you are receiving BAS, it may terminate once you deploy since you will have to eat field rations during a war or deployment determined by Congress for each deployment.

You may also be eligible for the additional pay and allowances listed below:

- **Foreign Duty Pay (FDP):** Payable to enlisted soldiers. Rate of pay is determined by the soldiers grade.
- **Imminent Danger Pay (IDP):** Payable to all soldiers within a specified geographic area at a flat monthly rate.
- **Family Separation Allowances (FSA):** Payable to all soldiers, with dependents, who are away from their family for more than 30 consecutive days.

Q. When do I get my FSA?

A. Soldiers are eligible for FSA when they have been separated from their families for more than 30 consecutive days. On the 31st day the soldier receives payment, which is retroactive to the first day of the deployment. FSA payments continue after the 31st day until the soldier redeploys.

Q. Will my taxes change? Also, how do I file my tax return when I'm deployed?

A. Yes, your taxes also change during war and when serving in an area designated as a combat zone (CZ) or qualified hazardous duty area (QHDA). A CZ or QHDA is established by Presidential Executive Order. Once the executive order is signed by the President implementing the CZ/QHDA tax exclusion, all military pay received by enlisted soldiers and warrant officers is no longer subject to withholdings of Federal and State income tax.

Officers eligible for the CZ/QHDA tax exclusion are exempt from paying Federal and State taxes on all military pay received up to the maximum rate of pay for the Sergeant Major of the Army plus \$150.

MARRIED SOLDIERS

Q. Let's say I am married. How can I provide financially for my spouse and kids during a deployment?

A. The best way to ensure that your spouse and children are taken care of financially is to prepare in advance and ensure you maintain an up to date family care plan. There is no substitute for prior planning. One way to financially prepare your spouse is to have separate checking accounts for you and your spouse.

If you choose to maintain separate checking accounts you may want to have a joint account that is used by both you and your spouse when you are not deployed. The second account should be an individual account for you that has a monthly amount deposited sufficient to cover your financial expenses while you are deployed. I would highly recommend using this system because it eliminates a lot of problems for couples who try to maintain a single, joint account during deployments or periods of separation due to military service.

Q. What if I take my spouse to a foreign country and a war breaks out, and my spouse has to leave in a hurry? Won't I already be fighting? Who will take care of my spouse? How will my spouse get money?

A. Your family care plan should outline the arrangements you have made to care for your dependents when you are deployed.

You should also ensure that your spouse has on-hand a DD Form 1337 (Authorization/Designation for Emergency Pay and Allowances), which makes your spouse eligible for non-combatant evacuation payment equal to 2 months' advance on your pay. You must pay back this advance, but in an emergency it will give your spouse some money to cover basic expenses like getting an apartment, renting a car, etc., when your spouse gets to a safe place.

Another source of support for your family members is the family support group in your unit. A family support group is a formally recognized and chartered volunteer group of unit family members, supported by unit officers and enlisted personnel. The group provides information to and support for families and members of the unit, especially during periods of separation.

Q. How can my spouse get a copy of my LES when I deploy?

A. Your spouse should contact the rear detachment commander of your unit, who will coordinate with the finance office and the battalion PAC. It is possible for you and your spouse to each receive a copy of your LES during your deployment. In order to ensure your spouse doesn't encounter any problems in obtaining a copy of your LES, a power of attorney should state that your spouse is authorized to pick-up a copy of your LES.

Q. Is there anything else I need to know about deploying?

A. Yes, you should always have a current will, especially if you have a family. If you go to war and are listed as missing in action (MIA) or a casualty, your family could have problems claiming your belongings unless you have a will. Again, go to the JAG office to have your will prepared for free. You should prepare a will immediately. Do not wait until you receive the order that you will be deploying to prepare a will.

Remember, we might not have the support of a full finance office in a combat zone - - we may just have small finance teams come out to our location. These teams don't have the capability of a full finance office to work out very complex problems on the spot. Therefore, it may take a little bit longer to get your pay straight if it is not right before we deploy. So make sure you do everything you can now -- **BEFORE** we deploy.

FAMILY CHECKLIST

In addition to preparing financially for deployments, there are certain things soldiers and family members should take care of in anticipation of a deployment. On the following pages are several family deployability checklists. All units should have something similar, but it may not be distributed until the time of deployment. Since these checklists cover just about everything soldiers will need to do before deploying, soldiers should use them now as an aid in preparing themselves and their families for any upcoming deployments.

<i>Comments</i>	<i>MEDICAL</i>
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	Are immunizations for each member of the family up to date?
	Where are the health and dental records for each family member?
	Who should the family contact if they need medical assistance? What is the phone number? (i.e. tracer, Other Insurance Plans, etc.).

<i>Co mm ents</i>	<i>FINANCE</i>
	Does the spouse have continuous access to money? (Power of attorney, joint accounts, or allotments)
	Is the amount of money available through SURE PAY or allotment sufficient to meet all the necessities to run a household?
	If the family must move during deployment, is there enough money to make the move?
	Make a list of all types of accounts you have to include account numbers, names and addresses.
	Where are the bank books and statements maintained?
	Does the family have a safety deposit box? If so, where is the box? Where are the keys? Who has signature access to it?
	Make a list of all credit card accounts to include account numbers, payment addresses, and phone numbers.
	Prepare the spouse to take over full responsibility for the family's financial affairs. If unable to manage the affairs, list the designated person who is responsible for managing the financial affairs in the soldiers' absence.
	Who is the point of contact if allotments don't arrive on time? Give the allotment 3 - 4 days to arrive after the normal time.
Make a list of all outstanding creditors. Include account numbers, address, and phone numbers. Typical expenses include: rent, telephone bill, water and sewage, electricity, trash disposal, insurance, taxes, utilities, car payment, credit cards, other debts (bank loan,	

furniture payments, etc.), child care, investments, and cable television.

<i>Comments</i>	<i>TRANSPORTATION/AUTOMOBILE</i>
	Is the spouse familiar with the responsibilities of operating the automobile?
	What is the name and address of the finance company holding the lien on the automobile(s)?
	Is the vehicle insurance paperwork in the car with the registration?
	Where is the vehicle's title? Is the registration or a copy of it in the vehicle?
	Does the spouse have a valid driver's license? When does it expire?
	When is the renewal date for the license plates and/or safety inspection?
	Does the spouse have insurance to drive the vehicle?
	Is a duplicate set of keys available? Where?
	Is the spouse able to make emergency repairs on the car if the situation arises (overheating, flat tire, dead battery, etc.)?
	Is the automobile equipped with a spare tire?
	If a member of an auto club that provides roadside assistance, ensure phone number and policy number are current.
	If the spouse does not drive, what transportation is available?
	Who can the family members call for emergency transportation?

<i>Comment</i>	<i>HOUSING</i>
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	Ensure the spouse knows the location of the electrical control box, water control valve, and gas control valve and how to operate each.
	Make sure the family has a duplicate set of house keys and knows the location where they are kept.
	Make a list of emergency phone numbers for fire, police, and post engineer service desk (if living in government quarters).
	The name and address of a point of contact for the spouse to call in case of emergency repairs.

Comments	LEGAL/ADMINISTRATIVE
	Are family members' identification cards up to date?
	Where and how does the family member replace identification cards?
	Does the spouse have a power of attorney to take necessary action on important family matters in the soldier's absence during any special situation that might arise?
	Where is/are the power(s) of attorney kept?
	Does the spouse have a copy of the marriage certificate?
	Does the spouse have copies of birth certificates?
	Are there copies of any adoption papers, divorce decrees, or court orders awarding custody of children? If so, where are they?
	Does everyone in the family have a valid social security number?
	Does the spouse have copies of federal and State tax records? How does the spouse get a copy of the soldier's W-2 form? Who will prepare the family's tax return?
	Where are the insurance policies?

	Does the family know the location of the stocks, bonds, or securities?
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<i>Comments</i>	<i>LEGAL/ADMINISTRATIVE</i>
	Does the spouse know the location of any deeds of land the family owns? Are all important documents in a safe place? If so, where?
	Do both the soldier and the spouse have up-to-date wills? Where are they?
	If the family is on a housing list, have they given the housing office telephone numbers where the spouse can be reached during the soldier's absence?
	The following are important documents that should be available during a soldier's absence: current identification cards, marriage certificates, birth certificates, divorce decree, automobile tags/title/registration, wills/burial plan, powers of attorney, property deeds or lease agreements, insurance policies (auto, home, life, etc.), adoption papers, letters of naturalization, passports, immunization records, and unit family support handbook.

IMPORTANT NUMBERS

The families of deployed soldiers should always know emergency telephone numbers for the ambulance, police, fire department, poison control center, family practice clinic or doctor, and unit rear detachment commander. They should also know the soldier's specific unit and his social security number.

PRACTICAL EXERCISES

CHAPTER 5 - FINANCIAL READINESS AND DEPLOYABILITY

1. What additional entitlements do soldiers receive when they deploy?
2. How do taxes change for soldiers deployed to a designated combat zone?
3. What is the best way to protect families from financial hardship when soldiers deploy--joint or separate checking accounts?

4. How does a spouse get a copy of your LES when the soldier deploys?
 5. What are some important documents the spouse should keep on hand or in a safe place while you are on a deployment?
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Chapter 6

BANKING AND CREDIT

This chapter describes some of the services available at financial institutions to help soldiers manage their money. The subjects covered include credit and interest, loans, credit cards, debit cards, checking and savings accounts, Automated Teller Machines (ATMs), and electronic fund transfers (EFTs).

In the chapter dialogue, PV2 Walker is talking to his section sergeant, SSG Nelson.

QUESTIONS: PV2 Walker
ANSWERS: SSG Nelson

Q. Since I have SURE PAY, all my money goes right to my bank. I've heard they can help you manage your money. Is this true?

A. Well, banks, credit unions, savings and loan companies, and other financial institutions all provide basic banking and investment services. These services include loans, credit cards, checking and savings accounts. So, they can help you manage your money, but you need to talk to an account representative at your financial institution to see which services best fit your needs. Also, before you talk to an account representative you need to know a few of the most common banking terms like credit and interest.

Q. I think I know what credit is, but could you explain it, just to be sure?

A. Credit is when you borrow money now and promise to pay it back at a later date. The most common form of credit is a personal loan. Normally, you apply for a personal loan from your financial institution for a specific amount of money.

Once your loan is approved you pay back a specific amount of money on a monthly basis until

the loan is repaid in full. The monthly repayment amount is determined by the total amount borrowed plus the amount of interest charged divided by the number of months you have to repay the loan.

Q. I know that interest is the charge I have to pay to borrow money, but what is the importance of comparing different interest rates? Is it really that important?

A. Yes, it is very important to compare interest rates and to try and get the lowest interest rate possible when applying for a loan. The higher the interest rate, the more money you have to repay. Let's go through an example so you have a clearer understanding.

Let's say you borrow \$2,000 from a credit union, with repayment due over the next year. We'll compare two interest rates 15% and 20%.

For the loan with the 15% rate, you will pay \$300 interest ($.15 \times 1 \text{ yr} \times \$2,000 = \$300$). The monthly loan repayment amount will be \$191.66 per month for 12 months ($\$300/12 = \191.66).

For the loan with the 20% rate, you will pay \$400 interest ($.20 \times 1 \text{ yr} \times \$2,000 = \$400$). The monthly loan repayment amount will be \$200 per month for 12 months ($\$400/12 = \200).

Picking the loan with the 15% interest rate saves yourself \$100 in interest costs and reduces your monthly payments by \$8.33.

LOANS

Q. I want to buy a car. I can get a loan from my bank, right?

A. Yes, your bank, credit union, or financial institution should be your first stop, but you should also compare financing rates at your dealer. Sometimes a dealer can be as competitive as your financial institution and may offer additional incentives or rebates.

Truth-in-lending laws obligate lenders to explain the facts about your loan. Here is some information that the lender must tell you:

- The amount you will pay each month
- The number of payments you will have to make
- The total amount of all of your payments
- The amount of interest you will pay
- The yearly interest rate they will charge you

If your financial institution doesn't give you all this information in writing AND explain it so you can understand it, tell them to wait. Before you sign any papers, go to your legal office and have a lawyer explain it to you.

Q. Do I have to fill out any specific paperwork at the bank in order to apply for a loan?

A. Yes, you will need to fill out a loan application. Application forms vary from one financial institution to another, but all forms ask for basic information, such as the following:

Loan Information

- Amount requested
- Purpose of the loan
- Amount of your down payment
- Individual versus joint application
- Collateral or security (This will be the car you are buying or the item(s) you own that you are using to secure the loan. The lender can take away the item(s) if you don't repay the loan in accordance with your loan agreement.)

Personal Information

- Date of birth
- Social security number
- Marital status
- Number and ages of dependents
- Present and previous addresses and years lived at those addresses
- Telephone number
- Name and address of nearest relative not living with you

Employment Information

- Present and previous employers
- Business telephone number
- Length of employment
- Your position/title/grade/rank
- Your supervisor/commander's name and phone number

Financial Information

- You need to bring proof of your income (i.e. LES)
- The name and address of your current financial institution
- Checking and savings account numbers
- Current balances of each of your accounts
- Proof of any other sources of income (e.g., part-time job, alimony, child support)
- Names, addresses and account numbers of present and past creditors
- Monthly payments and current balances of all credit accounts
- Monthly rent/mortgage payment

- Name of landlord or mortgage company

Co-Applicant or Co-Signer Information

- Name, address and social security number
- Present and previous employers
- Length of employment and salary

Remember, the loan application gives the financial institution an overall view of your financial stability. Whether you get the loan or not depends on whether the staff at the financial institution thinks you can repay it. They base their decision on the information you supply and your past credit history.

Q. You said something about co-applicant and co-signer. What are they?

A. A co-applicant is a person who is applying for the loan with you, like your spouse. Many young soldiers have one or both of their parents sign as co-signer(s). The co-signer is the person who will be responsible for the loan if you fail to pay. Having someone with a good credit history act as co-signer could help you get the loan. This person cannot be in your chain of command.

Q. Does the financial institution need anything else?

A. They need a copy of the purchase agreement and the name of the recipient of the money - either you or the company where you are buying the car. They will also need the name of the company you are going to buy your insurance from in case the car is wrecked or stolen. Your insurance will usually cover whatever remains of your loan balance; if it doesn't, you will have to pay the difference.

Q. After I fill out the loan application, what happens next?

A. The financial institution staff will review and verify the information on the application and run a credit check. A credit check is used to verify your credit history and to ensure that you have not defaulted on any loans or previous credit agreements in the past. If the financial institution determines you will be able to repay the loan based upon this information, you will get the loan.

The financial institution could deny you credit for several reasons. The most common reason is your income does not qualify you for the loan amount you requested. Other reasons include having other outstanding debts that would make repaying this loan too difficult, having "bad" credit as a result of not paying off a previous loan, or having a poor payment history on your credit report.

That is why it is so important to establish good credit and maintain it. The best ways to establish good credit are by taking small loans, opening credit card accounts, and paying all of your loan

payments and bills on time.

Q. Is there anything else I need to know about getting a loan?

A. Yes. On a big purchase like a car, you will probably need a down payment. The larger the down payment the less money you will need to borrow, which will reduce your monthly payment and the amount of interest you will pay.

Although borrowing money is a way to buy what you want now and pay for it later, you must make sure that you can afford to pay back the money you borrow on a monthly basis. The best way to make sure that you will be able to repay your loan without any problems is to develop a budget and include this payment in your budget; we'll talk more about budgets in the next chapter.

Q. With my salary, I don't think I will have enough money to buy a car in a year, so I think I'll lease a car. Is there anything I should know about a car lease or is a car lease the same as applying for a personal loan?

A. Well, first consider how much it costs to own a car. In addition to your car payment you have to budget for your registration, insurance, maintenance, gas, and other applicable taxes. Don't just compare the simple sticker prices; think about the *long-term costs of ownership before you purchase a vehicle*. After deciding on a car, look at your budget to see if you can afford the expenses associated with owning the car.

If you are planning on purchasing a new car, more than likely, you will have to apply for a car loan to finance the cost of your new car. One way to reduce the cost of financing a new car is to start saving now for your downpayment. Saving as much as you can for the down payment will help you reduce the total cost of purchasing your car in the long run. The larger your downpayment the less money you'll have to borrow, which will reduce the amount of interest you will pay over the life of the loan, as well as the amount of your monthly payment.

Leasing is like a long-term car rental, which means you are paying for the use of the car during your lease. Before you sign a lease agreement you should read it and make sure you understand the terms of the lease before you sign it. If you do not understand the lease take it to your JAG office and have a legal officer review the lease and explain it to you so that you understand it before you sign it. A lot of car leases have hidden clauses which end up costing a soldier a lot more in the long run than their monthly lease payment. So, it is important to completely understand the terms of your lease.

NOTE: In the past soldiers have gone to a car dealer and left thinking they had signed a purchase agreement whereas in reality they had signed a lease agreement. The soldier makes payments for 2 years on the assumption they are purchasing the car. At the end of the 2 year period they receive a bill for the balance, which is known as a balloon payment,

due on the car. A balloon payment must be paid in full or the balance due must be refinanced, which causes a lot of financial problems for soldiers.

At the end of your car lease you normally have three options: return the car to the dealer, purchase the car in cash, or finance the balance due on the lease to purchase the car.

If you choose to turn-in the car to the dealer from whom you leased the car, you will normally have to pay for any "wear and tear" on the car such as scratches, nicks in the paint, damage to wheel covers, and any other damages. These charges are assessed based upon the terms of your lease agreement and are normally very expensive. Most soldiers don't read the fine print prior to signing their lease agreement and are unprepared for "wear and tear" charges. When the lease expires and the soldier returns the car, these additional expenses create a financial hardship for the soldier. **Read and completely understand your lease agreement prior to signing.**

Your second option is to purchase the car from the dealer and pay cash. The final purchase price is calculated based upon the original cost of the car minus the amount you paid during your lease minus any depreciation costs. By paying cash you save yourself any interest charges.

The third option is to purchase the car by financing the balance due on the lease. The car is now a used car. Interest rates for a used car loan are a few percentage points higher than the interest rates for a new car loan. The higher interest rate can make it more difficult for you to qualify for the loan. Furthermore, the repayment schedule is shorter. Thus, you end up paying more in interest charges over a shorter repayment schedule, which means your monthly car payment is going to be higher.

Q. Is there any other way to buy expensive things other than having to wait and save?

A. Yes, the only other way to purchase expensive things without saving in advance is to purchase them on credit. The most common form of credit is a credit card. When you use a credit card you purchase items and are billed later for your purchases. Normally, you have a 25 day interest free grace period when you use your credit card to purchase items. Most credit cards require the prior month's balance to be paid in full for new purchases to qualify for the grace period.

If you pay off the balance of your credit card by the due date you will not pay any interest on your purchases. You can choose to pay the minimum amount due and the balance will be carried over until the next billing cycle. If you carry a credit card balance from month to month you pay interest on the unpaid balance. Interest rates vary on credit cards so compare interest rates before applying for a credit card.

Another way to purchase items is to use layaway plans at the post exchange and department stores. A layaway plan allows you to pick out specific merchandise that the store will package and put into storage for you to pick-up at a later date. The store has you fill out a layaway slip, which outlines your payment plan, once the final payment is made you pick-up your

merchandise and take it home. Some layaway plans charge a service fee, ranging from \$1 to \$5. Layaway plans are not as convenient as credit cards, but you do not pay interest on your purchases.

CREDIT CARDS

Q. I know about credit cards; just about everyone has one, but I'm not sure I know how they work. Could you explain them to me?

A. All credit cards have a spending limit. The company sets the limit, and you cannot exceed this amount in purchases and cash advances.

Q. What happens if I go over the limit?

A. The credit card company can refuse to pay for the purchase. If they approve the purchase, they will not approve further purchases until your balance is back under the limit. Also, many credit card companies impose a penalty charge if you go over the limit. The penalty charge normally ranges from \$25 to \$35.

Q. How do I pay back the money?

A. You will receive a monthly statement, which will show your credit card purchases, your balance, the minimum monthly payment, and the date the next payment is due. You can pay off the balance by the payment date and avoid paying any interest charges. If you opt to pay the minimum monthly payment or any amount greater than the minimum but less than the balance you will be charged interest on the balance you carry forward. The sooner you pay off your balance, the less interest you will pay.

Q. What else is there to know about credit cards?

A. Credit card companies charge different rates of interest, and some of them even charge a yearly membership fee. It is very important to shop around for the lowest interest rate and a no fee credit card. Each credit card has its own specific rules, which you should always read and understand before you sign anything.

Remember, a credit card works just like a loan. Don't use the money unless you are positive you can pay it back. Look at your budget before you use your credit card to make sure you can afford the payments.

Q. So, is this the same way my government American Express credit card works?

A. No, there are some differences between your government American Express card and your personal credit card. First, your government American Express card is not a credit card - you

cannot carry your balance forward. Your government American Express card should only be used for official travel expenses, such as lodging, rental cars or meals. It **is not** for your personal use.

The balance on your travel card should be paid in full when you receive the monthly bill from American Express. If you file your travel claim right away, you should get your reimbursement check before the American Express card bill is due.

It is important to understand how to use your government American Express card and to use it correctly. If you misuse your travel card or become delinquent on your account, you could get into serious trouble with your chain of command.

DEBIT CARDS

Debit cards look just like a credit card and have either the Visa or Mastercard logo, but a debit card is not a credit card. A debit card is issued by your bank or financial institution. Whenever you use your debit card to make a purchase, the amount of your purchase is electronically debited from your checking account within a day of making the purchase.

Debit cards truly offer the best of both worlds. A debit card offers you the convenience of making purchases with a piece of plastic without the temptation and ability to run up credit card debt. Debit cards keep you from spending money you don't have and help you live within your means.

Important Note: If you choose to use a debit card it is essential to balance your checking account on a monthly basis. When you balance your account you will subtract your debit card purchases as well as cleared checks and ATM withdrawals. Balancing your checking account on a monthly basis will help you avoid any unnecessary bounced check fees that may occur as a result of forgetting to subtract any debit card purchases or ATM withdrawals.

CHECKING ACCOUNTS

Q. I'm thinking of opening a checking account, but the different types of accounts confuse me. Which account is best for me?

A. There are several types of checking accounts offered by most financial institutions. The three basic types of accounts are standard, interest bearing, and premium checking accounts.

A standard checking account is a full service account. This type of account offers unlimited check writing, ATM deposits, and withdrawals.

An interest bearing checking account pays interest on your average daily checking account balance. A minimum balance must be maintained in order for interest to be paid. This amount

varies from one financial institution to another. An interest bearing checking account also offers the same benefits as a standard checking account.

Premium checking accounts require account holders to maintain a minimum balance of \$10,000 in their account. This balance can be attained through any combination of savings, money market, and time deposits. This account offers all of the same benefits as both a standard and interest bearing checking account, but also offers additional benefits. These additional benefits include a no fee credit card with a reduced interest rate, free checks, reduced interest rates on personal loans and other benefits. The additional benefits and minimum balance vary from one financial institution to another.

Each of these accounts can be opened as either a joint account or an individual account. On a joint account two people can write checks and have access to the money in the account. The biggest advantage of a joint account is that both people have access to the money in case of an emergency. The biggest disadvantage is that it is more difficult to manage and balance a joint account, because there are two people writing checks on the same account.

On an individual account only the person who opened the account can write checks and access the money in the account. The advantage of an individual account is that it is easier to manage and balance because there is only one person who has access to writing checks on the account.

Remember, before you open your checking account discuss the various options with an account representative. The account representative will explain the different types of accounts and outline any additional costs or service fees connected with the different accounts. The bottom line is your personal financial situation will determine what type of account will be best for you.

Q. How is having a checking account better than not having one?

A. A checking account allows you to write checks. Checks are a very convenient way to pay bills in person or through the mail. Remember, checks are like cash. Do not let people who are unauthorized to write checks have access to your checkbook.

Q. Banks aren't the only places that offer checking accounts, are they?

A. No, most financial institutions have them. For example, savings and loan companies and credit unions have "share draft" accounts; these work just like standard checking accounts at a regular bank. Service charges and different account types will vary from one institution to another.

Q. When I look at financial institutions, how do I know which one to choose? I'm sure they aren't all the same.

A. All of them offer the same basic services, but before you decide, make sure you shop around a

little bit. See what each will charge you on a monthly basis to open and maintain your account with them.

Some have a monthly service charge, some charge a small fee each time you write a check, and some charge the same no matter how many checks you write. Pick a financial institution that's convenient and will charge you the least money. Here are some questions you should ask when shopping around for your checking account:

- Will I receive a deposit slip for my SURE PAY?
- Will I receive my canceled checks with my monthly statement?
- Do I have to maintain a minimum balance to avoid a fee?
- Is there a monthly service charge, a fee for writing checks or both?
- Will my account be federally insured?

Q. What do I have to do to open a checking account?

A. It's simple. First, you fill out an application and complete a signature card. Sign your name on the signature card the same way you will sign your checks. The financial institution will use your signature card to verify the signature on the checks written on your checking account.

Then, you make your first deposit. The teller will give you a temporary check register and enough temporary checks to last until you receive your personalized checks and check register. It is a good idea to have your personalized checks printed with your rank, name, and address.

Do not have your SSN imprinted on your checks. It could be used by someone else to open a line of credit in your name and cause you a lot of problems. When you cash checks at a government facility, take the time to write your SSN on your check.

Next, you will have to bring a completed SF 1199A (Direct Deposit Sign-up Form) from your financial institution to your PAC and fill out a DA Form 3685-R, JUMPS-JSS Pay Elections. This will automatically establish or change where your SURE PAY goes. Remember if you are changing accounts do not close your old account until a deposit is made to your new account.

Q. Is there a minimum amount required to open an account? How do I make additional deposits?

A. Yes, most financial institutions have a minimum amount required to open an account. Different financial institutions require different amounts.

After your initial deposit, you will fill out a deposit slip each time you make a deposit. The teller will verify the amount of the deposit and give you a receipt. Keep this receipt; it is the only record you have as proof of depositing money into your account. In the event of a mistake at your bank, you will need all receipts to verify your deposits. If your SURE PAY is directly deposited to your checking account it is important to keep copies of your LESs. Your LES is the

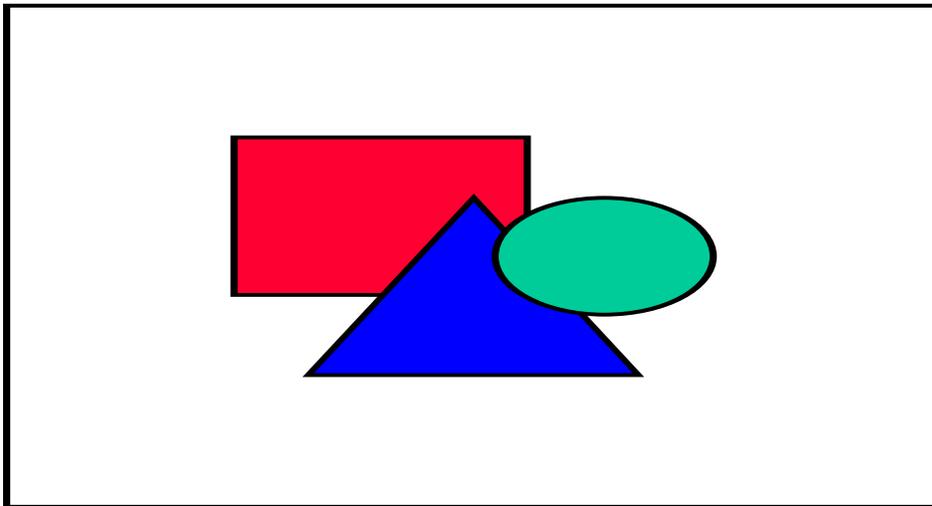
only receipt you have to verify that a SURE PAY deposit was made to your account.

WRITING A CHECK

Q. Can you show me how to write a check?

A. Sure. Let's use one of my checks. I need to pay my phone bill, which is \$40. The first thing I do is put the date in the upper right hand corner of the check. Then, I start to fill it out.

After the words "Pay to the order of," you write in the name of whom the payment is to, in this case--Texas Bell. In the next block to the right you write the amount in number form, \$40.00. Then you write the amount in word form, forty and NO/100, on the line underneath the "Pay to the order of" block. Then, you can make a note in the lower left corner of the check. I'll write "October Phone Bill" on this one. Another good idea is to write the account number of the bill you are paying on this line. It helps the company know to credit your account. The last step is to sign the check. Make sure you sign it the same way your signature appears on your signature card. Some creditors will also require you to write additional information (i.e. your home and duty phone numbers) on the top of the check.



You should also left-justify the numbers and writing on the check. What this means is that you should write the numbers right up against the dollar sign and the words right up against the side of the check. If you don't, someone can tamper with the check and change the amount.

Q. What happens if I make a mistake writing a check?

A. You write "VOID" in large letters across the check and record it in your check register.

Q. How do I keep track of the money in my checking account? It sounds like it would be hard.

A. When you open your account, your financial institution will give you a check register. You will enter all checking account transactions into your check register (checks used, checks voided, deposits, service charges, ATM transactions, debit card charges, etc.). Fill out your check register as soon as possible after writing each check or completing any transaction that effects your account balance.

Filling out the check register properly is very important because this is where you keep track of your account balance. Let's look at my check register and I'll show you how to record the check I just wrote to Texas Bell.

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT							
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT / DEBIT (-)	T	FEE (-) IF ANY	DEPOSIT / CREDIT (+)	BALANCE
797	11/10	Phone Bill	40.00		N/A	N/A	710.00

Moving from left to right, start with the number column and fill in the check number, continue moving to the right and fill in the information requested in each of the columns. Now, you will notice there is a different column for checks, fees, and deposits. Make sure you put the right information in the correct column. Then, adjust the balance column to reflect your new balance. Always balance your check register and remember to make sure you have enough money in your account before you write any checks.

Q. How do I know if my financial institution's record of my account matches mine?

A. Your financial institution will send you a statement once a month that will show everything that has been posted to your account. They may also, depending on the institution, send your canceled checks back to you. Use the statement or the canceled checks when balancing your

account.

The statement has a cutoff date. Any transactions after that date will appear in your records but not on your statement. To balance your account you have to take the ending balance on your statement and subtract/add any transactions that took place after the cutoff date.

The balance you come up with should match the balance reflected in your check register.

Q. O.K., what if the balances don't match?

A. Go over the procedure again to see if you added anything wrong. If you still can't figure it out, visit or call your financial institution and talk to an account representative.

Q. What happens if someone, either me or the financial institution, makes a mistake?

A. Your financial institution has thousands of accounts they have to monitor, and you have only yours. What does this mean? It means it is your responsibility to make sure that your balance is correct. That is why it is very important to keep all your deposit slips and to keep your check register up to date.

If you make a mistake, make sure you correct it as soon as possible. If you believe your bank committed the error, contact a bank representative as soon as possible to fix the problem.

Q. What kind of trouble can I get into if I bounce one or more checks?

A. Well, there are several things that can happen:

- Your bank and/or the organization you wrote the check to may charge you a fee of \$25 or more for each check you bounce.
- You may damage your credit rating.
- Your name may appear on a bad check list.
- You may have your on-post check cashing privileges suspended for 6 months, a year or indefinitely.
- You may receive a formal reprimand.
- It may be reflected on your next evaluation report.
- You may get an Article 15.
- You may lose rank.
- You may receive a court-martial.
- You may be barred from reenlistment.
- You may be involuntarily separated from the Army.
- If intentional, you can be prosecuted by both civilian and military authorities.

As you can see, bouncing checks can be serious business. If you are really worried about this,

you may want to get overdraft protection.

Overdraft protection is a line of credit that you apply for at your financial institution. Once approved you will be given a credit limit, which is the amount of overdraft protection you qualify for. Your financial institution will cash checks that exceed your account balance up to your credit limit.

Your overdraft protection works just like a loan except for the way the interest rate is calculated. The interest rate is calculated at a daily rate, which starts accruing from the date the check clears your account and continues until your balance is paid in full.

Your financial institution will send you a monthly bill for your overdraft protection. This bill is similar to a credit card bill and will outline your charges, the balance due, the minimum amount due, and the payment due date. You can pay the minimum amount due or any amount greater than the minimum amount up to the full balance due. The sooner you pay off your balance the less you will pay in interest charges.

Overdraft protection can save you the added expense of "bounced" check fees, but it is very expensive and should only be used in the event of an emergency.

SAVINGS ACCOUNT

Q. A savings account sounds like a good idea. How do I start one?

A. Opening a savings account is similar to opening a checking account. You need to fill out an application and complete a signature card. Once you open your account, you will get an account number and a passbook to record your account balances.

Make sure you keep your account number handy and ensure that you verify your account number every time you make a deposit. If you put down the wrong account number on a deposit slip you may be depositing money into a account belonging to someone else.

You will get a monthly account statement. Balance your savings account in the same way you balance your checking account. Make sure you account for any transactions you made after the statement cutoff date. If your records do not match your statement, balance your account again, and if your balance still does not match, see or call a representative from your financial institution right away.

Q. Which type of account is better for me to have, a checking account or a savings account?

A. It depends upon your personal situation, but normally a checking account is a convenient way to pay your creditors (credit card companies, utility companies, telephone companies, etc.) through the mail. Most creditors will not accept cash for monthly payments.

Also, a checking account allows you to write checks for cash at all government facilities allowing you immediate access to cash. You can have both a checking and savings account. It seems as though we've covered a lot of material, do you have any other banking questions?

Q. Yes, I got a money machine card from my bank last week. How do I use it?

A. These cards are commonly called ATM cards because they only work in Automated Teller Machines (ATMs), which are discussed in the next section. Prior to receiving your card you should have received your personal identification number (PIN) from your financial institution that issued your ATM card. It is best to memorize your PIN and keep it in a safe place, separate from your ATM card.

To use your card go to an ATM and insert your card. After you insert your card, you will be asked to enter your PIN. After you enter your PIN a menu will appear with a list of options. Choose the option you want to use (e.g., withdraw cash from checking) and follow the directions that appear on the screen.

Note: Remember when using an ATM to record all deposits and withdrawals that effect your account in your account register or passbook so that you can maintain your current balance.

AUTOMATED TELLER MACHINES (ATMs)

Automated Teller Machines (ATMs) were first introduced in the United States in 1971. ATMs originally dispensed cash and offered balance inquiries. Now ATMs offer an array of advanced functions, which essentially provide 24 hour banking services.

Although ATMs are an excellent way to get cash fast, you have to be careful when using them. The account balance on the machine is only as current as the information your bank has. If you have written checks recently, and they have not yet cleared your bank, your balance will not reflect these checks, and the machine will tell you a balance that is too high. If you withdraw money from your account in excess of your "real" balance (i.e., the balance from your checkbook register) the checks that have not reached the bank will bounce.

When you withdraw cash from an ATM that is part of your financial institution there is usually no fee for using the ATM. When you withdraw cash from an ATM that is **not** a part of your financial institution you are charged an administrative processing fee. Many times the financial institution that owns the ATM and your financial institution will both charge you an administrative fee. These charges add up quickly. Plan ahead so you can avoid having to use an ATM owned by another financial institution.

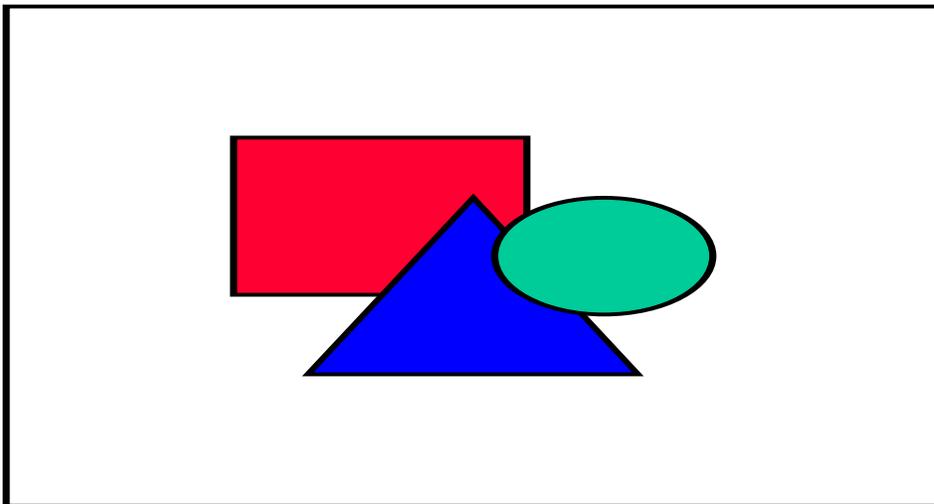
Just remember, ATMs are like anything else that pertains to your money. Make sure you have the money in your account when you are writing a check or making an ATM withdrawal.

4. 1 March - You get paid \$616.89 by SURE PAY. Post this in the check register.

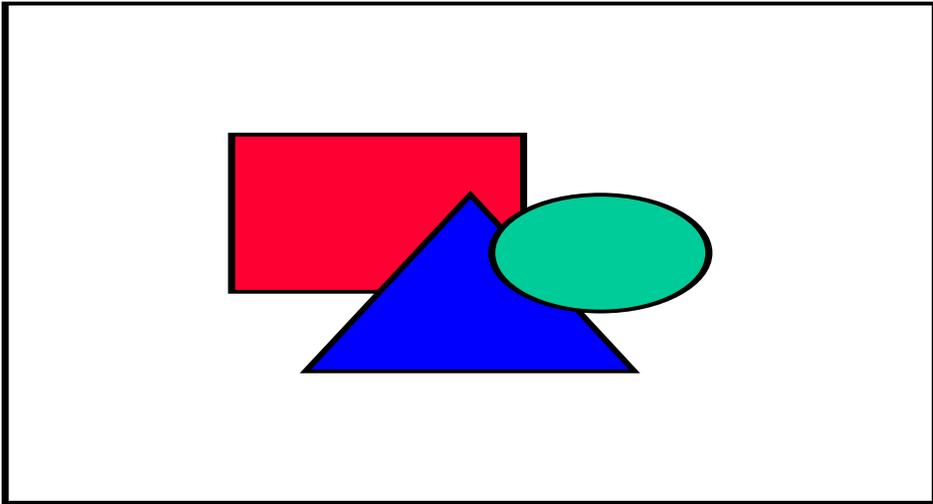
5. 4 March - You take \$200 out of the automated teller machine (ATM) at your bank. Post this in the check register.

6. You have the following bills due on the following dates. Write the checks on the blank checks provided and post them in your check register.

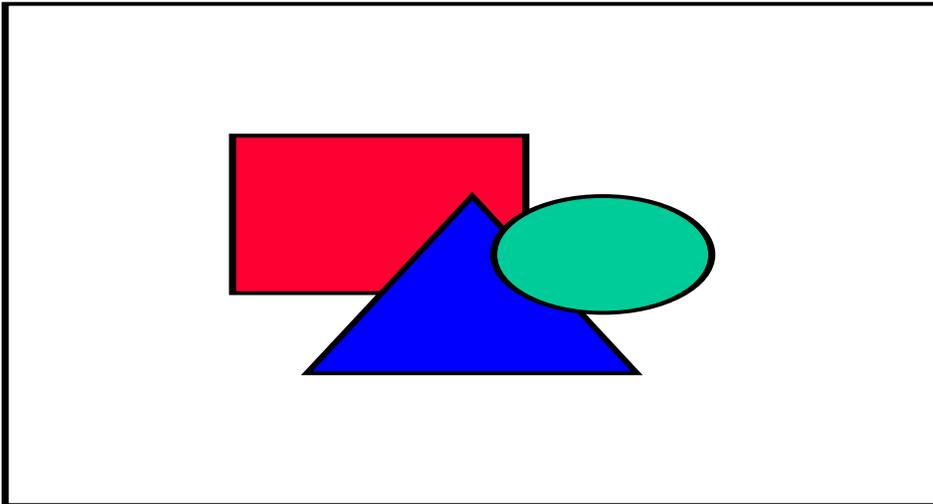
a. 6 March - \$220 to Sunnyside Apartments for rent.



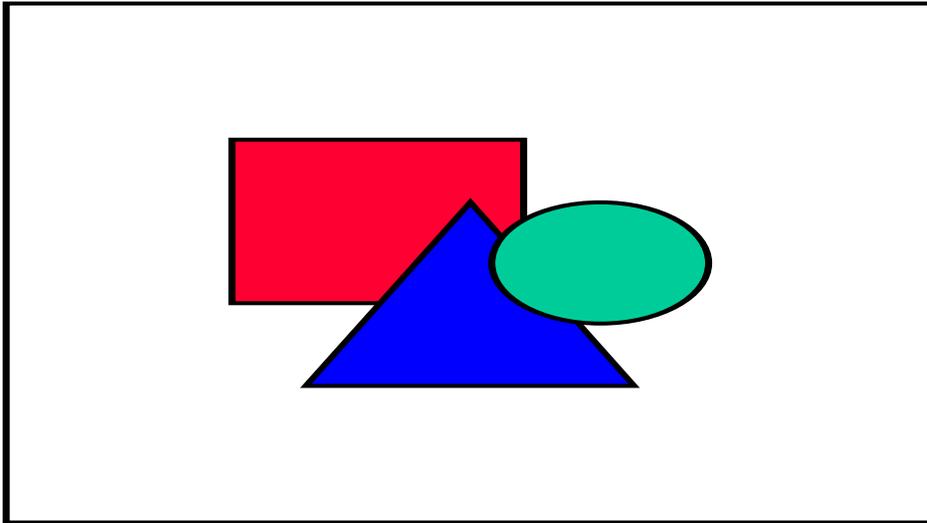
b. 6 March - \$47.92 to Vernon Power and Light for utilities.



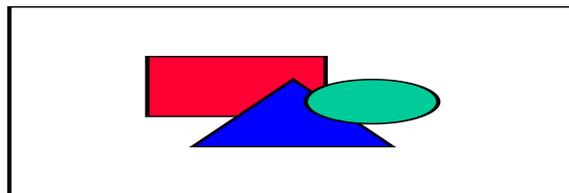
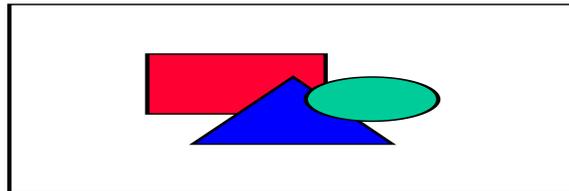
c. 8 March - \$50.00 check for cash at the PX (made out to FAO, Fort Finance, Arizona).



d. 11 March - \$149.68 for groceries at the Commissary (made out to FAO, Fort Finance, Arizona).



- 7. 15 March - You get paid \$616.89 for mid-month payday.
- 8. 15 March - \$456.67 is automatically deducted from your bank account to pay back a loan.
- 9. What is the balance in your checking account?
- 10. Copies of SPC Culpepper's bank statement appear on the next two pages. The third page has a copy of his check register. Today is 7 April 19XX what is the current balance of your checking account? (Use the space provided on page 115 to compute your balance).



ALL CHANGES OR CREDITS THAT AFFECT YOUR ACCOUNT						
DATE	DESCRIPTION OF TRANSACTION	PAYMENT / DEBIT (-)	FEE (-) IF ANY	DEPOSIT / CREDIT(BALANCE	
					115.64	

						+))	
+	3/1	Sure Pay				616.89	616.84
		Deposit					732.53
-	3/4	ATM	200.00				(200.00)
		Withdrawal					532.53
267	3/6	Rent Payment	220.00				(220.00)
							312.53
268	3/6	Vernon Power	47.92				(47.92)
							264.61
269	3/8	FAO Finance	50.00				(50.00)
		Cash					214.61
270	3/11	FAO Finance	149.68				(149.68)
		Commissary					64.93
+	3/15	Sure Pay				616.89	616.89
		Deposit					681.82
-	3/15	Loan Deduction	456.67				(456.67)
		(Bank Loan)					225.15
271	3/17	FAO Finance	100.00				(100.00)
		Cash					125.15
-	3/19	ATM	50.00				(50.00)
		Withdrawal					75.15
272	3/20	Tim Kress	15.00				(15.00)

		Hockey Tickets					60.15
273	3/24	FAO Finance	34.76				(34.76)
		PX Items					25.39
274	3/27	FAO Finance	10.21				(10.21)
		Snacks					15.18
+	4/1	Sure Pay				616.89	616.89
		Deposit					632.07
275	4/4	Rent Payment	220.00				(220.00)
							412.07
276	4/6	Vernon Power	53.16				(53.16)
		& Light					358.91

Chapter 7

BUDGETING AND INVESTMENTS

This chapter explains how to develop a budget for both single and married soldiers. This chapter will also outline how soldiers can get the most out of their money by planning what they spend, what they save, and what they invest. Investment options will be discussed briefly at the end of this chapter.

BUDGET FOR THE SINGLE SOLDIER

PVT McMillan is talking to her first sergeant, 1SG Holmes. She is trying to find a better way to manage her money every month.

QUESTIONS: PVT McMillan
ANSWERS: 1SG Holmes

Q. My money seems to just disappear and I do not know where it all goes. Can you show me a way to keep track of my money and to develop a plan for saving my money?

A. This is a common problem. The best way to track your money is to develop a budget. A budget can help you identify where your money is going and can help you develop a plan to save money.

It is important to develop good saving habits now so that you have money saved for emergencies (e.g., unexpected car and home repairs). Saving money also allows you to have money available to make any special purchases you may want. You may also want to begin saving and investing now for your long term financial security. In order to start saving and investing your money now you will have to examine your current spending habits and may have to change your spending habits to accomplish these goals.

Q. I may have to change my spending habits. What does that mean?

A. Getting those late night goodies at the closest place, even though it's more expensive, or buying things that are "cool" whether you need them or not are spending habits that may need to be changed. This is impulse buying, and it will eat up your pay in a hurry if you are not careful. Stop and determine if you really need the item and can afford it before you make the purchase. Again, this is where a budget comes in handy.

Q. Having a budget makes sense. How do I make one?

A. The first thing you need to do is make a list of all of your expenses. Then determine your financial goals. Some examples are future security, a vacation, new car, or stereo system. Put them in priority, starting with the one you want or need the most.

Q. What I really want is a new stereo system, but the one I want costs \$800. There is no way a private can save that much money is there?

A. It's easier than you think. You took the first step by pricing the stereo and getting the cost of the one you want. Now you need to develop a budget and a savings program to see if you can afford it. The key is to put away a little bit of money each month.

Q. Where do I start?

A. Look at your LES to see how much you earn each month. Then list the bills you have each month; these are "fixed expenses." Examples of fixed expenses are items like car payments, loans, and insurance payments. You have to pay these bills before you do anything else with your money.

Other expenses to consider are food, clothing, recreation, and transportation. These costs are variable expenses but they can really add up if you do not limit your spending for such items.

O.K., let's work on a budget for you. First, write down your goal. In this case it is a new stereo. Now make a list of your expenses, starting with your fixed expenses.

Q. Well, I am currently paying \$40 a month for a television I have in layaway at the PX, which will be paid for in 3 months, and I send my mother \$100 a month. Can you think of anything else?

A. If those are your only expenses that do not change from month to month, continue on to your other expenses like food, transportation, and clothing.

Q. As far as food goes, I eat on post at the dining facility most of the time. Normally on the weekends I spend money for pizza and hamburgers, and sometimes I buy breakfast. Should I count that?

A. Definitely. After you incorporate these things into your budget, you will be surprised just how much you spend on them. Now, buying clothes is another thing that can sneak up on you and take a big bite out of your paycheck if you are not careful.

Q. I have plenty of clothes, but some of them are getting old.

A. Figure out how much you spend on civilian clothes a month. Include the cost of dry-cleaning and upkeep. Do not spend more for these items than you allowed for in your budget. Watch for sales; you can buy good clothes at low prices if you watch for sales. Try to avoid impulse buying -- do not buy those expensive pants that you do not really need just because they will look good on you. Now, the next thing we need to look at is your transportation costs.

Q. I use the bus to go into town once in a while, and sometimes I give my buddies' gas money. I would say no more than \$40 a month. Should I put any other expenses in my budget?

A. Absolutely. Decide what you want to spend for those miscellaneous things like magazines and video games. Let's call these "incidental expenses."

Q. Well, I will try \$100 a month for incidental expenses. What's next?

A. Recreation expenses. Figure out how much you spend each month to relax and have a good time.

Q. I like to go out, and I usually spend \$125 a month. Now, how can I manage to save \$800?

A. If you save \$100 a month, you will have the \$800 in just 8 months. You should also save some money for unexpected emergencies.

Q. I was thinking about putting another \$50 a month into a savings account. Will I be able to afford it?

A. Sure. Let's add it to your list. Now, let's total up these numbers and see what we have.

Q. My expenses and savings add up to \$700. Now what?

A. Figure out how much money you get every month. Check your LES.

Q. Last month I made \$710 after taxes. I do not have any additional income. What next?

A. Total your expenses plus your savings and subtract this total from your monthly income.

Q. Well, take away \$700 and I have \$10 left. That does not seem good.

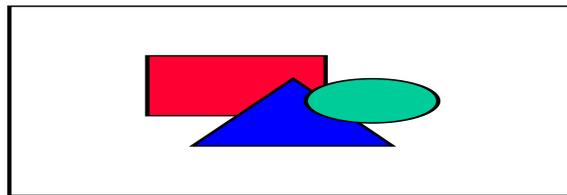
A. Yes, but remember -- you will also be putting away \$150 a month into savings. You said that you were not putting any money away now. So, you are actually doing much better.

Q. Can I use the same budget for more than 1 month?

A. Yes. I recommend you review your budget after 3 months to see how your actual costs compare with your estimates. Also, adjust your expenses as your income, debts, and priorities change. Remember, your budget should be flexible.

Q. What if I do not spend my money the way this budget shows?

A. You can change your budget as your situation changes. Your budget should be flexible to reflect changes in your income and expenses. In 3 months you will make your final layaway payment on the television you have in layaway and you can subtract that \$40 from your expenses, which will increase your income by \$40 per month. Your budget will fail unless you invest the time and effort to make it work. An outline of the budget we have prepared for you appears on the next page.



TRANSPORTATION

Q. All of this reflects my life right now, but I am thinking of buying a car. What are some things I need to consider before I buy a car?

A. There is more to having a car than making car payments and paying for gas. One major expense is automobile insurance.

Q. What other costs will I have?

A. You will have to purchase your license plates, pay your vehicle tax and register your car. Once you have selected a car, ask the legal office to look at the purchase and loan papers before you sign.

Q. What if the car needs repairs all of a sudden? How do I plan for that?

A. You have to put car repairs as expenses in your budget. All cars need general maintenance like oil changes, tune-ups, new tires, and so forth. Even if you take good care of your car, it may break down from time to time. So, you have to set aside some money for repairs.

HOUSING

Q. I live in the barracks, so my housing expenses are next to nothing. What happens if I cannot get a room in the barracks?

A. If government quarters are not available you'll get BAQ and BAS. If assigned to a geographic area that qualifies for VHA or CONUS COLA you will get these allowances as well. Refer to chapter 1 to review the eligibility for each of these entitlements.

Q. Do I need to know anything else about living off post?

A. Yes. First, you must go to the housing referral office. They will give you a list of apartments and houses for rent in the area. Some posts have a program with landlords and utility companies to waive some deposits. Check with housing referral before you rent.

Before you move in, you may have to pay a deposit. A deposit is usually equal to one month of rent. You must pay the first month of rent in addition to the deposit. You may also have to pay deposits on your electricity, gas, water and telephone. Your landlord can tell you the required deposits. These deposits are not cheap so before you move off post be sure to save enough money to cover all of your deposits.

Q. Is there anything else?

A. Other things you may have to pay for are electricity, gas, heat, water and sewer, garbage pickup, telephone, cable TV, furniture, curtains, appliances, and laundry.

Q. Doesn't the rent include these things?

A. It depends on the landlord's policy. Some may include all or some of these things in the rent while others may have you pay for utilities directly to the utility company. When you shop around for a place to live, compare what utilities and services the rent includes.

If you pay your utility charges separately, be careful to use only what you need. You pay based on what you use. Make sure you think about the consequences before you turn up the heat or air conditioning because you are being billed based upon the amount you use.

Your rent should be the same every month, unless your landlord increases it. Before signing your lease review it to see if/when your landlord can increase your rent.

Q. What is a lease?

A. A lease is a written agreement that explains the terms of your rental. It tells what you can do with your apartment and what the landlord can do to and for you. Make sure that you understand your lease and can follow it before you sign it. Finance determines your eligibility for housing allowances based upon the terms of your lease.

Always make sure that your lease has a military clause. This clause will allow you to break your lease if the Army suddenly decides to PCS you to another post or deploys you. Without this clause, you may lose some or all of your deposit by breaking your lease. It is a good idea to have the legal office go over your lease with you before you sign it.

Q. What happens if the landlord does not give me back my deposit, even if I clean the apartment before I leave?

A. If you have any trouble getting your deposit back, go to the legal office for assistance. They will help you interpret your lease and determine your eligibility to a refund.

Q. Is there anything else I need to know?

A. Yes. You really have to watch your telephone bill. Long distance phone calls add up in a hurry. You should call during off hours or get a good long distance calling plan. Make sure you check with your phone company, and shop around for the best long distance rates.

Then, there is the matter of furniture. You will need some. Again, resist the impulse to purchase all of the furniture you may need or want using a credit card because you will incur a large debt. You may have trouble repaying this debt in addition to all of your other expenses associated with

living off post.

You may want to consider buying used furniture and household items. You can get some good deals on used furniture at garage and estate sales and looking in the classified section of your local newspaper.

Q. You have given me a lot of things to consider. How will I know when it is time to move off post and which apartment is right for me?

A. You will know when it is the right time for you to move off post, but remember it is a costly move. So, now is the time to start saving your money and preparing yourself financially to move off post when the time comes. When you decide to move, take your time, look at all factors and do your best to make the right choices.

BUDGET FOR THE MARRIED SOLDIER

In this dialogue PFC Warren is talking to his platoon sergeant, SFC Jackson. He is trying to find a better way to budget his money every month.

QUESTIONS: PFC Warren

ANSWERS: SFC Jackson

Q. Can you help me with a budget for my family and me? I have a wife and a daughter.

A. Sure. Tell me some of your major expenses.

Q. Housing is probably the biggest one, but we spend a lot on food, too. We always spend a lot more than my BAS. How can we control how much we spend on food?

A. One big advantage you have is the commissary. As a general rule, you can get food there for less than just about anywhere else. Still, make sure you compare prices. Some stores sell different items cheaper than other stores; always look out for sales at the local grocery stores off post. During some sales, you can get things cheaper than the commissary. When you can, buy things where they cost the least. Coupons are another way to save money when shopping at the commissary or the local grocery stores.

Plan your meals in advance, make a grocery shopping list and buy only what you need. This will help you avoid impulse buying with food--do not go shopping when you are hungry.

Now, let's talk about a budget for you. Do you have a specific goal or purpose for your savings?

Q. Yes, we would like to go on a vacation to visit my parents. The cost of transportation and food should be \$300 -- we will be staying at my parents' house.

A. O.K., \$300 isn't too bad. Now, let's start looking at your fixed expenses that you pay each month. A fixed expense is an expense that is the same every month.

Q. Our rent is \$450 and our utilities are \$70. Food runs about \$300 a month. My car payment is \$290 a month. Gas, oil, and repairs usually cost about \$25 per week so that's a \$100 per month. My car insurance costs \$60 a month.

A. O.K., these are your only fixed expenses on a monthly basis. Now you need to list your variable expenses. A variable expense is an expense that varies from month to month. Some examples are clothing, phone bills, and anything else you pay for on a monthly basis.

Q. I would guess clothing costs are about \$75 per month, cable television is \$25, babysitting is \$40, and our phone bill is usually about \$45. Oh, I also give \$40 a month to my church. I go to school on post, which normally costs about \$130 a month for the courses and books. I usually take the family out to dinner and the movies once a month. This normally costs \$50 a month. This is all I can think of but can you think of anything else?

A. The only other thing I can think about is the money you and your spouse need for pocket money and incidentals. What is the monthly amount of pocket money for each of you?

Q. We each spend about \$15 a week. That comes out to \$120 a month. What's next?

A. Now it is time to think about your vacation. You said you would need \$300 to cover your expenses. If you can put away \$75 a month, you would have the money in just 4 months.

Q. I would like to start putting some money into savings, maybe about \$50 a month. Is that a good idea?

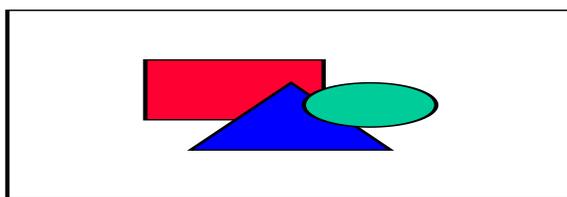
A. That is a great idea. Now, if you cannot think of anything else, let's add up the things on your list.

Q. All of these expenses and savings add up to \$1,920. What now?

A. Figure out what your income is.

Q. Well, I make \$1,428 after taxes per month, and my spouse earns \$520 after taxes per month doing part-time work. So our combined income is \$1,948. That's \$28 more than my expenses. Now I have to stick to my budget. Is there anything else I need to know?

A. Yes. Do not forget to go over your budget on the next page with your spouse. You both have to plan together to make it work. Remember, this budget is not set in stone. If it is not working out, you can change it. Just be flexible and make sure you stick to some kind of budget.



Q. I know I am going to PCS soon. Should I put that into my budget?

A. Yes. The Army will pay you for your PCS move, but there are a lot of out of pocket expenses associated with a PCS move. So it is a good idea to put some money into savings for your PCS move. Additionally, you may incur some incidental costs that will not be reimbursed.

Before you make any plans you should talk to someone at your local finance office to find out what entitlements you will receive when you PCS. Also, you should check the per diem rates for the geographic area where you are transferring.

Q. What major expenses will I incur when I PCS?

A. The major PCS expenses are:

- Hotel or motel bills at your old duty station prior to leaving, while you are traveling, and at your new duty station until you find housing.

- Security Deposits for housing and utilities and other expenses associated with moving into a house or apartment.

- Transportation, meals, laundry, etc.

Q. Do I need to keep any records of my PCS?

A. No. On a PCS move you are paid a flat per diem rate so you will not need any records for your travel voucher.

Q. Is that all I need to know about PCSing?

A. No. Do not forget about your SURE PAY account. You need to decide if you want to open a new account at your next duty station. Remember never close your old account until your first SURE PAY deposit is made to your new one.

Remember, you do not have to switch financial institutions when you PCS. If you are happy with the financial institution where you have an established account, stick with it.

EMERGENCY SITUATIONS

Q. What about emergencies? If something happens and I have emergency money problems, what do I do?

A. If you plan and save for emergencies your savings can keep you out of a tight spot when emergencies happen. But if you get stuck, there are places to get help.

First, come and see me. I can explain a few options where you can go for help. Army Emergency Relief (AER) and American Red Cross (ARC) are two of the major organizations that can provide help. If you are out of town you can obtain assistance at any military installation by going to the family assistance office. The family assistance office will coordinate with AER to obtain any assistance that you are eligible for.

Q. What assistance can AER and the ARC provide in an emergency situation?

A. These organizations provide assistance in emergency situations that include stolen or lost money, funeral expenses, travel expenses (for valid emergency leave), emergency car repairs, fire or other disaster, clothing replacement, and other situations that cause money problems for you and your family.

Q. Is there anything else I need to know about getting help in an emergency?

A. Yes, your first sergeant and commander can tell you of other places where you can get help when you need additional assistance. While, AER and the ARC often provide assistance in the form of an interest free loan, which must be paid back, they also offer additional forms of financial assistance that do not have to be repaid. Additionally, these organizations provide other forms of non-financial assistance to soldiers (e.g., food baskets, vouchers for use at the commissary).

Q. Now that I have a budget for saving money do I have to keep my savings in a savings account? What other options do I have for the money in my savings account?

A. In addition to a savings account there are several options for you to consider. Let's spend a little time talking about each one.

Holiday Club Accounts: These are special purpose savings accounts where you contribute a specific amount of money each week for several months. You withdraw the money at the end of the period. Interest rates and periods of the account vary. Holiday club accounts are available at most financial institutions, and they are a fairly low risk investment, unless the financial institution itself is at risk.

Negotiable Order of Withdrawal (NOW) Accounts: These are checking accounts that pay interest. You must maintain a minimum or average monthly balance to earn interest and avoid extra charges. Deposits and withdrawals are unlimited, but you will pay fees if your account balance drops below the minimum balance. NOW accounts are available at

most financial institutions. These are also low risk, unless the financial institution itself is at risk.

Certificates of Deposit (CDs): When you buy a CD, you agree to leave your money in the CD for a specific period of time, and you will earn interest on the money. If you cash in a CD before it matures, you must pay a penalty for early withdrawal. CDs pay higher interest rates than saving accounts, and the rate increases with time. The longer the period of the CD, the higher your yield will be. CDs are available from most financial institutions and brokerage firms. These are also a low-risk investment.

Money Market Deposit Accounts (MMDAs): These accounts earn rates that vary with market conditions. The rate will rise as market interest rates rise and fall accordingly. They require a minimum balance that varies depending upon the institution. If your balance drops below the minimum, you may get a lower interest rate or have to pay a monthly fee. You may usually make only three deposits and three withdrawals per month. They are available at most financial institutions and brokerage firms. MMDAs are riskier because the money is invested in the money market as opposed to sitting in a savings account at a financial institution.

Stocks: When you buy stock, you become part owner of a company's assets. The value of your shares will rise or fall depending on how well the company does. If the company is successful, the stock price will increase, and you will be able to sell your shares on the stock market for a profit. You can also invest in stocks that pay dividends, distributions of the company's earnings to the shareholders. Stocks are available through brokerage firms, which will buy and sell your stocks according to your wishes. These are a fairly risky investment because you are "taking a chance" that the company is going to do well.

Government Bonds: A bond represents a loan from the investor to a government entity. The government agrees to pay back the loan, plus a specific amount of interest, after a certain time. U.S. Treasury bonds are the safest, and there are several different kinds (savings bonds are the most common), depending on the period and the amount of investment. States, cities, and towns also issue bonds. Like stocks, these are available through brokerage firms. They are less risky than stocks because there is a guaranteed payback in maturity.

Corporate Bonds: If you buy a corporate bond, you loan your money for the corporation to use. They will pay you back the money plus a fixed amount of interest when the bond matures. Investors buy and sell bonds before they reach maturity because their worth fluctuates with the market interest rate. If you hold on to the bond until full maturity, interest rate changes will not affect your yield since the bond itself has a fixed interest rate. Bond investments are also available through brokerage firms. These are similar in risk to buying stocks because you are "betting" that the company will do well in the future.

Mutual Funds: In a mutual fund, many investors pool their money toward a common goal. After you invest money, you will own a certain amount of "shares" of the mutual fund. These funds are managed by knowledgeable people, who invest in a diversified list of various stocks, bonds, bills, etc. Mutual funds allow the average small investor the opportunity to benefit from the knowledge of these investors and to reduce their personal risk.

There are different types of funds. Some charge money to join, some charge monthly fees, some do not charge you unless you take money out of the fund, and some do not charge fees at all (except a small management fee). You can invest in mutual funds through a brokerage firm, or you can deal directly with the managers of the fund. Several financial journals and publications frequently publish advertisements and listings of mutual funds, performance records, and phone numbers. Mutual funds are generally less risky than stocks and bonds because they have investments in several companies and industries. The more widespread or diverse the fund, the less risky it is.

Money Market Mutual Funds: These are mutual funds that pool money from many investors and invest in short term items, such as Treasury bills, certificates of deposit, bankers acceptance, and commercial paper. Money market funds provide income and liquidity. You can add money to the account at any time, and they pay interest on a daily basis. Your yield depends on fluctuations in the money market. They are available at most financial institutions and brokerage firms. These investments are fairly risky because money markets fluctuate just like other markets, and they are just as unpredictable.

Individual Retirement Accounts (IRAs): IRAs are a good way to prepare for retirement. You do not pay taxes on the investment until you withdraw the money. You can have as many separate IRAs as you want. You can even transfer money directly from one IRA to another. IRAs are an excellent way to put aside money each week or each month in preparation for your retirement and are available through most financial institutions. Just as other investments run through a financial institution, IRAs are fairly safe, as long as the financial institution itself is not at risk.

Tangible Investments: A tangible investment is one that you can see and touch. Some examples are real estate, gold, silver, gemstones, and collectibles (stamps, coins, trading cards, antiques, art, etc.). When you invest in tangible investments, you are counting on the value of that asset to increase over time, due to the scarcity of and demand for the asset. It is difficult to assess the risk of most tangible investments, but the larger ones, such as gold and silver, will reflect the risk of their markets.

Well, those are the basic options for ways to save and invest your money. In addition to these options there are many other types of investments. Before you invest any money you should learn a lot more about your potential investment.

Q. How do I know which investment is right for me?

A. There are several things you should consider before you invest. The most important thing to consider is risk. Certain investments are a lot riskier than others. For the most part, investments with a higher potential yield on your money will have a higher risk. This means that although you expect to have a higher yield, you are more likely to lose money on your investment than on a "safer" investment with less risk. You must decide how much risk you can afford and are willing to take.

Decide how much yield you want to get out of your investment. How long will it take you to reach that yield? Due to interest rates, certain investments will take longer for you to reach your goal. Review your budget to see how much money you can afford to initially invest. It is better to start with a small investment amount and move up to larger investments later.

Also, consider the liquidity of your investment. Liquidity is a measure of how fast you can convert the investment to cash. If you have more than enough money to live on and for emergencies, you can afford to have investments with less liquidity.

Another thing to consider is the diversification of your investments. The more diverse your investment fund is the less risky it is. On the other hand an investment fund limited to one or two types of investments contains more risk.

Q. Is there anything else?

A. No, not really. Just remember, before you invest your money, know exactly what you are investing in before you obligate any of your money. If you have any doubts, talk to an expert at your financial institution or a brokerage house.

PRACTICAL EXERCISES

Chapter 7 - Budgeting and Investments

Section I: Single Soldier Budget. PVT Hawkins lives in the barracks and eats the majority of her meals in the dining facility. She wants to take a vacation on a cruise ship to the Bahamas. She talked to a travel agent, and the trip will cost her \$1,320. She wants to go on the trip in about a year.

PVT Hawkins makes \$720 a month after taxes. She has the following expenses:

\$36.67 a month for a stereo brought at the PX

- \$100 a month for an allotment to her brother
- \$45 a month for transportation
- \$35 a week for recreation
- \$25 a week for food
- \$90 a month for incidental expenses
- \$40 a month on clothing
- \$50 a month into a savings account

1. How much does PVT Hawkins have to save each month to take her vacation in a year?
2. Prepare a budget for PVT Hawkins in the space provided below.

Budget Single Soldier

Section II: Married Soldier Budget. SPC Martin is married, has one child, and lives in an apartment off post. She wants to buy a new stereo at the PX, and it costs \$600. With the Layaway Plan at the Post Exchange she can spread the payments out over 1 year (\$50 a month). She makes \$1,350 a month after taxes. Her husband makes \$600 a month after taxes. They have the following expenses:

- \$350 a month for rent
- \$70 a month for electricity
- \$50 a month for gas (heat & stove)
- \$80 a month for food
- \$20 a week for gas (automobile)
- \$150 a month for car insurance
- \$216.67 a month for a car payment
- \$40 a week for child care
- \$40 a month for clothing
- \$200 a month for incidental expenses
- \$100 a month for recreation
- \$46.70 a month for furniture payment
- \$20 a month into a savings account
- \$80 a month into a college fund

1. Prepare a budget for SPC Martin and her family in the space provided on the next page.

Budget Married Soldier

Section III - Multiple Choice.

1. Who can help soldiers who have a financial emergency?
 - a. Your supervisor
 - b. Your commander
 - c. American Red Cross
 - d. All of the above
2. What type of investment are soldiers making when they loan money to the government and the government pays them interest?
 - a. Corporate bonds
 - b. Mutual funds
 - c. Government bonds
 - d. Money market accounts
3. What type of investment involves many investors pooling their money toward a common goal?
 - a. Certificates of Deposit (CDs)
 - b. Mutual funds
 - c. Stocks
 - d. Holiday club accounts
4. An example of a tangible asset is:
 - a. Stocks
 - b. Insurance premiums

c. Bonds

d. Silver

5. Which of the following should you consider before making an investment?

a. Liquidity

b. Yield

c. Risk

d. Initial investment

e. All of the above

CHAPTER 8

ANSWERS TO PRACTICAL EXERCISES

Chapter 1 - Pay, Allowances, and Deductions

(1) Q. What is Basic Allowance for Quarters (BAQ)? When does a soldier receive BAQ?

A. BAQ is money the Army pays soldiers for housing when government quarters are unavailable. Soldiers will get the partial rate if they live in single-type government quarters. If soldiers live off post, they will get the full rate, at the with or without dependents rate, depending on whether or not they have family members. If soldiers live in family-type government quarters, they will not receive any type of BAQ. ([Source](#))

(2) Q. Does a soldier get more BAQ if they have dependents?

A. Soldiers with family members, living off post, receive BAQ at the "with dependents" rate, which is higher than the "without dependents" rate. ([Source](#))

(3) Q. When are soldiers paid Basic Allowance for Subsistence (BAS)?

A. BAS is paid to all officers. Enlisted soldiers are paid BAS (separate rations) if they are stationed somewhere without a dining facility or if authorized to mess separately. ([Source](#))

(4) Q. How often do soldiers get a Clothing Allowance?

A. Enlisted soldiers receive a clothing monetary allowance every year, at the end of their anniversary month of entering the Army. Active duty officers receive \$200 one time, when they first come on active duty. Reserve officers can receive \$200 when they are first appointed; they can receive an additional \$100 as often as every two years, after the completion of more than 90 consecutive days' of active duty training. ([Source](#))

(5) Q. Other than CFC, AER, American Red Cross contributions, and savings bonds, how many allotments can soldiers have?

A. In addition to these allotments soldiers are authorized 6 discretionary allotments. ([Source](#))

(6) Q. What entitlements do soldiers have to pay taxes on?

A. Soldiers must pay taxes on any entitlements that end in the word "pay." Most allowances **are not taxable** except for CONUS COLA, which is taxable. ([Source](#))

(7) Q. How many days of leave can soldiers cash in when they reenlist? What are the restrictions?

A. Enlisted soldiers can cash in up to 30 days of leave when they reenlist, as long as they reenlist within three months of their ETS. Only 60 days of leave can be cashed in throughout their entire career. Officers can cash in up to 60 days of leave when they separate from the Army. ([Source](#))

CHAPTER 2 - ACTIVE COMPONENTS (AC) ENTITLEMENTS

Section I: Refer to the LES on page 117.

(1) Q. Where is the social security number recorded on the LES?

A. The social security number is in the "ID" section. ([Source](#))

(2) Q. How much did PFC Harris get paid during this pay period?

A. \$316.98 (EOM PAY block in "SUMMARY" section). ([Source](#))

(3) Q. How much money did PFC Harris receive for his mid-month pay?

A. \$316.98 (recorded as MM in the "DEDUCTIONS"). ([Source](#))

(4) Q. What are PFC Harris' total deductions on his LES?

A. \$535.96 (bottom of "DEDUCTIONS" section). ([Source](#))

(5) Q. How much federal tax was withheld from PFC Harris' pay so far this year?

A. \$225.24 (TAX YTD block in "FED TAX " section). ([Source](#))

(6) Q. How much State tax has been withheld from PFC Harris's pay so far this year?

A. \$30.48 (TAX YTD in "STATE TAXES" section). ([Source](#))

(7) Q. How many leave days does PFC Harris have accrued at the end of this month?

A. 12 days (CR BAL block in "LEAVE" section). ([Source](#))

(8) Q. What is an ETS? When is PFC Harris's ETS?

A. Expiration of Term of Service. This is when your current enlistment ends. PFC Harris's ETS is 22 February 1999. (ETS block in "ID" section). ([Source](#))

(9) Q. What type of BAQ is PFC Harris currently receiving? What does this mean?

A. Partial Rate (BAQ TYPE block in "PAY DATA" section). This means he is living in single-type government quarters. ([Source](#))

(10) Q. What is the name of PFC Harris's financial institution?

A. Jones Barnes Credit Union ("REMARKS" section). ([Source](#))

Section II: Refer to the mid-month NPA statement ([Source](#))

(11) Q. What is the purpose of an NPA?

A. The NPA reflects the soldiers mid-month pay. DFAS-IN also uses it to provide all soldiers with important financial information. ([Source](#))

(12) Q. Who gets an NPA?

A. Only soldiers who receive a mid-month pay get an NPA. Soldiers will receive an NPA if something has changed since their last LES or if there is important information in the remarks section that all soldiers should receive. ([Source](#))

CHAPTER 3 - RESERVE COMPONENT (RC) AND ARMY NATIONAL GUARD (ARNG) PAY ENTITLEMENTS

(1) Q. What is the name of the Reserve Component (RC) pay system?

A. The Reserve Component pay system is the Defense Joint Military Pay System - Reserve Component (DJMS-RC). ([Source](#))

(2) Q. The RC pay system can pay up to how many times per month?

A. The DJMS-RC system pays up to 8 times per month. ([Source](#)).

(3) Q. Who has a RC soldier's most current pay information; the soldier or the unit?

A. The soldier. ([Source](#))

(4) Q. When can a reservist receive an LES?

A. A reservist will receive an LES for duty performance. A reservist will also receive an LES when an administrative change is made to their Master Military Pay Account (MMPA). ([Source](#))

(5) Q. What should a reservist check on their LES every month?

A. Reservists should read each LES carefully to ensure that they are receiving the proper pay for duty performed as well as to review any administrative changes that have been processed in their MMPA. ([Source](#))

(6) Q. When reservists are deployed, what should they do if they have a pay problem?

A. Reservists who are deployed and experience pay problems should use their Chain of Command to try and resolve the pay problem at the lowest level. ([Source](#))

(7) Q. What Act was enacted in 1940 by Congress at the beginning of World War II to protect and offer relief to "those who dropped their affairs to answer their country's call to duty"?

A. The Soldiers' and Sailors' Civil Relief Act (SSCRA). ([Source](#))

(8) Q. What organization assists reservists who experience reemployment problems after being mobilized for active duty?

A. The National Committee for Employer Support of Guard and Reserve. ([Source](#))

Chapter 4 - Pay, Allowances, and Deductions

(1) Q. What form is used to file for reimbursement of travel expenses?

A. DD Form 1351-2. ([Source](#))

(2) Q. What is per diem?

A. Per diem is a daily allowance to pay for the cost of food, lodging and incidental expenses. ([Source](#))

(3) Q. Under the "Lodging Plus" system of per diem what are soldiers reimbursed for?

A. Under the "Lodging Plus" system soldiers are reimbursed for lodging, meals and incidental expenses. ([Source](#))

(4) Q. Before soldiers can be reimbursed for travel, what must they have?

A. Before soldiers can be reimbursed for travel, they must have orders for travel and duty. ([Source](#))

Chapter 5 - Financial Readiness and Deployability

(1) Q. What additional entitlements do soldiers receive when they deploy?

A. Deployed soldiers may be eligible for foreign duty pay, imminent danger pay, family separation allowance, and a daily incidental per diem rate. ([Source](#))

(2) Q. How do taxes change for soldiers deployed to a designated combat zone?

A. If serving in an authorized combat zone, enlisted soldiers and warrant officers do not pay any State or federal taxes. Officers do not pay taxes on the amount equal to the senior enlisted soldier's base pay. ([Source](#))

(3) Q. What is the best way to protect families from financial hardship when soldiers deploy -- joint or separate checking accounts?

A. Separate checking accounts. ([Source](#))

(4) Q. How does a spouse get a copy of your LES when the soldier deploys?

A. Your spouse should contact the soldier's rear detachment commander. ([Source](#))

(5) Q. What are some important documents the spouse should keep on hand or in a safe place while you are on a deployment?

A. Current identification cards, marriage certificate, birth certificates, divorce decree, automobile tags/titles/registration, wills/burial plan, property deeds/lease documents, powers of attorney, insurance policies (auto, home, life, etc.), adoption papers, letters of naturalization, passports, immunization records and a copy of the unit family support handbook. ([Source](#))

CHAPTER 6 - BANKING AND CREDIT

(1) Q. What pieces of information MUST a financial institution explain to loan applicants?

A. Truth-in-lending laws require financial institutions to tell the following information to loan applicants: amount of monthly payments, number of monthly payments, total dollar values of all payments, yearly interest rates and the total dollar value of all interest payments. ([Source](#))

(2) Q. What is a co-applicant/co-signer of a loan? Why might it be advantageous to have one?

A. A co-applicant/co-signer is someone who will sign the loan with the applicant and share the financial responsibility of the loan. ([Source](#))

(3) Q. What are some things to consider before getting a credit card?

A. Before getting a credit card, look at the different interest rates, annual fees, and service charges. ([Source](#))

Section II

You are SPC John F. Culpepper. Use the blank checks and check register provided to prepare your answers to question 4 through 9. Make sure to post each transaction in the check register.

(4) Q. 1 March - You get paid \$616.89 by SURE PAY. Post this in the check register.

A. See the check register on the next page. ([Source](#))

(5) Q. 4 March - You take \$200 out of the automated teller machine (ATM) at your bank. Post this in the check register.

A. See the check register on the next page. ([Source](#))

(6) Q. You have the following bills due on the following dates. Write the checks on the blank checks provided and post them in your checkbook register.

A. (a - d) See checks on the following pages and the check register on the next page. ([Source](#))

(7) Q. 15 March - \$616.89 is deposited in your checking account for mid-month pay. Post this transaction in your check register.

A. See the check register on the next page. ([Source](#))

(8) Q. 15 March - \$456.67 is automatically deducted from your bank account to pay back a

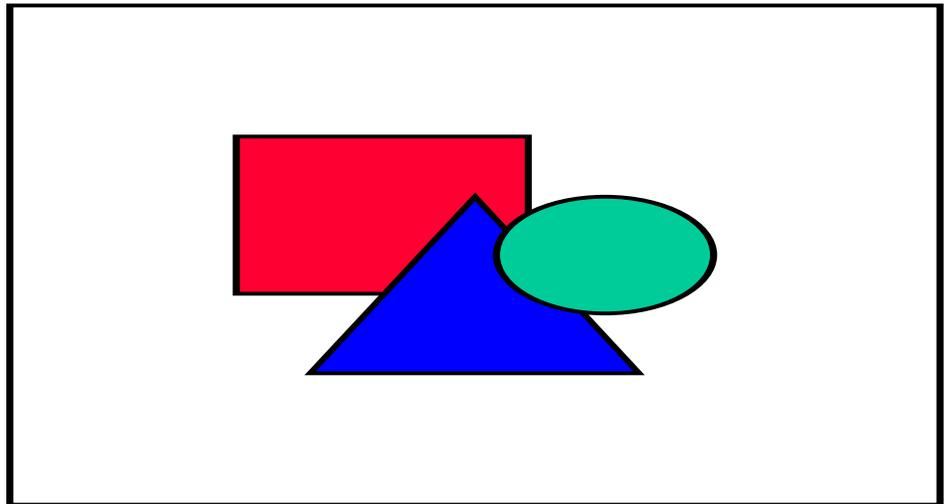
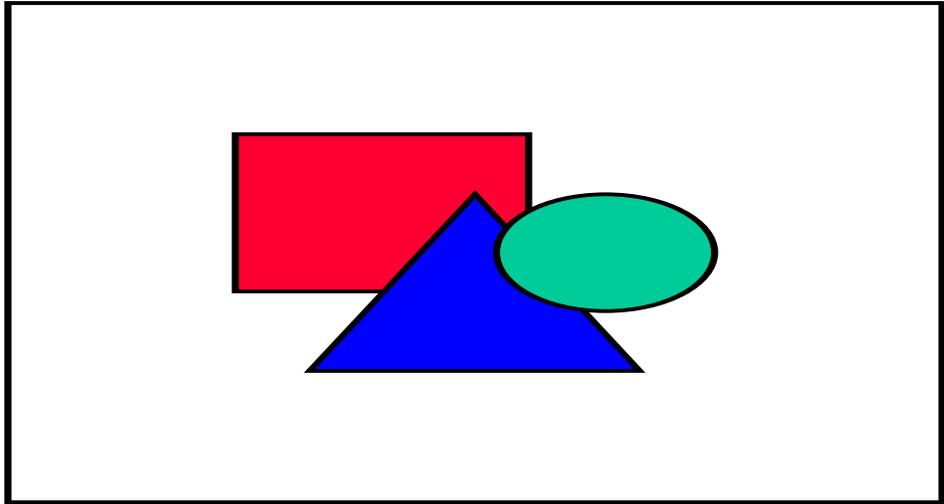
loan.

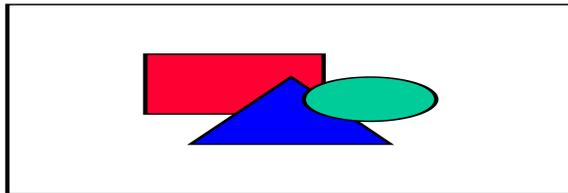
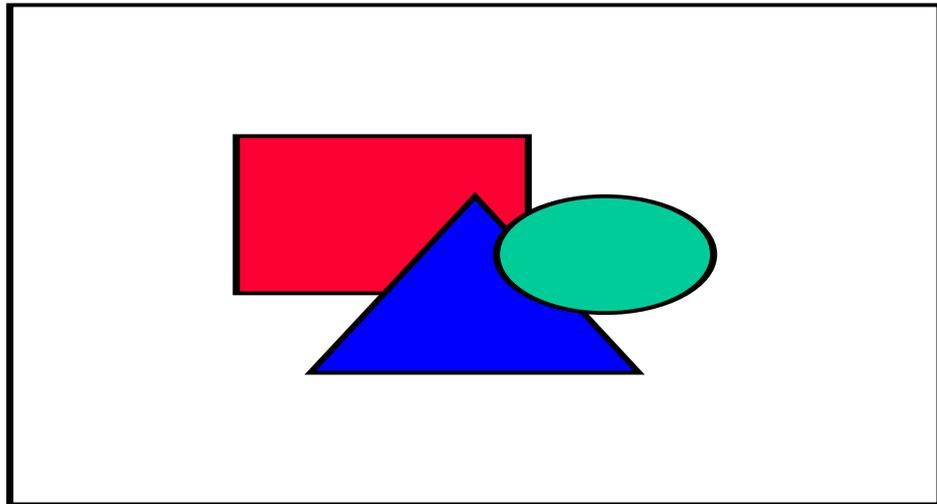
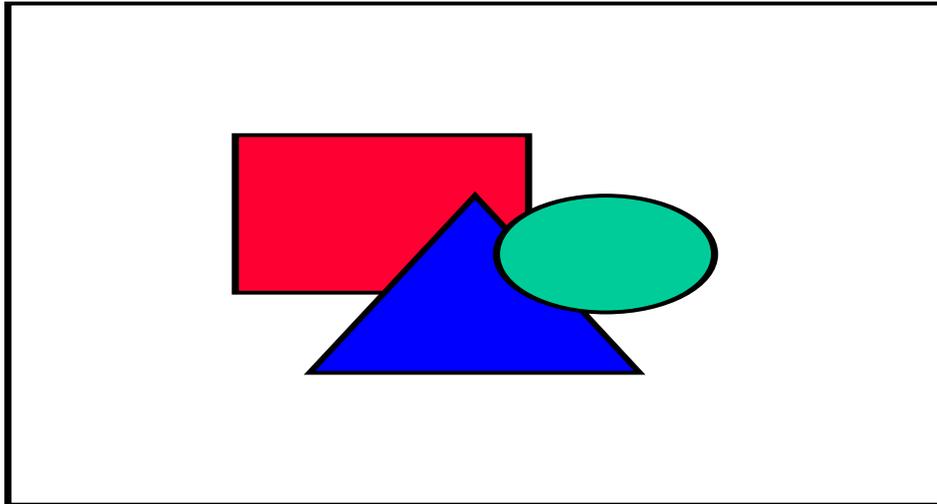
A. See the check register on the next page. ([Source](#))

(9) Q. What is the balance in your checking account?

A. \$225.15 (See account record below. ([Source](#)))

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT							
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT / DEBIT (-)	T	FEE (-) IF ANY	DEPOSIT / CREDIT (+)	BALANCE
							115.64
+	3/1	Sure Pay				616.89	616.89
		Deposit					732.53
-	3/4	ATM	200.00				(200.00)
		Withdrawal					532.53
267	3/6	Rent Payment	220.00				(220.00)
							312.53
268	3/6	Vernon Power	47.92				(47.92)
		& Light					264.61
269	3/8	FAO Finance	50.00				(50.00)
		Cast					214.61
270	3/11	FAO Finance	149.68				(149.68)
		Commissary					64.93
+	3/15	Sure Pay				616.89	616.89
		Deposit					681.82
-	3/15	Loan Deduction	456.67				(456.67)





Chapter 7 - Budgeting and Investments

Section I - Single Soldier Budget. PVT Hawkins lives in the barracks and eats the majority of her meals in the dining facility. She wants to take a vacation on a cruise ship to the Bahamas. She talked to a travel agent, and the trip will cost her \$1,320. She wants to go on the trip in about a year.

PVT Hawkins makes \$720 a month. She has the following expenses:

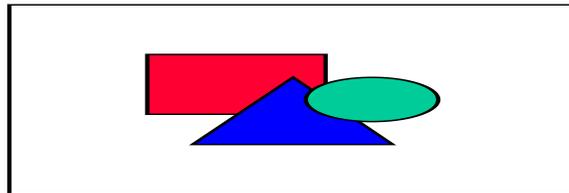
- \$36.67 a month for a stereo payment in layaway
- \$100 a month for an allotment to her brother
- \$45 a month for transportation
- \$35 a week for recreation
- \$25 a week for food
- \$90 a month for incidental expenses
- \$40 a month for clothing
- \$50 a month into a savings account

(1) Q. How much does PVT Hawkins have to save each month to take her vacation in a year?

A. PVT Hawkins needs to save \$110 a month ($\$1320/12 = \110). ([Source](#))

(2) Q. Prepare a budget for PVT Hawkins in the space provided on the next page.

A. Below is PVT Hawkin's budget. ([Source](#))



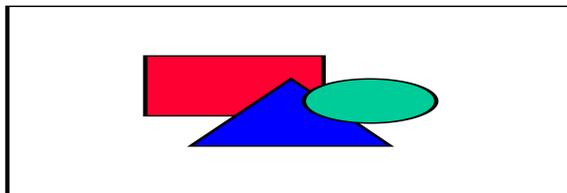
Section II - Married Soldier Budget. SPC Martin is married, has one child, and lives in an apartment off post. She wants to buy a new stereo at the PX, and it costs \$600. With the layaway plan at the Post Exchange she can spread the payments out over 1 year ($\$600/12 = \50 per month). She makes \$1,350 a month. Her spouse makes \$600 a month. They have the following expenses:

- \$350 a month for rent
- \$70 a month for electricity
- \$50 a month for gas (heat & stove)
- \$320 a month for food
- \$20 a week for gas (automobile)
- \$150 a month for car insurance
- \$216.67 a month for car payment

- \$40 a week for child care
- \$40 a month for clothing
- \$200 a month for incidental expenses
- \$100 a month for recreation
- \$46.70 a month for furniture payment
- \$20 a month into a savings account
- \$80 a month into a college fund

(1) Q. Prepare a budget for SPC Martin and her family in the space provided on the following page.

A. The budget prepared for SPC Martin is on the following page. ([Source](#))



Section III - Multiple Choice.

(1) Q. Who can help soldiers who have a financial emergency?

A. e. All of the Above ([Source](#))

(2) Q. What type of investment are soldiers making when they loan money to the government and the government pays them interest?

A. c. Government Bonds ([Source](#))

(3) Q. What type of investment involves many investors pooling their money toward a common goal?

A. b. Mutual Fund ([Source](#))

(4) Q. An example of a tangible asset is?

A. d. Silver ([Source](#))

(5) Q. Which of the following should you consider before making an investment?

A. e. All of the Above ([Source](#))

Appendix A

Section I

This section is for the Active Component Basic Combat Training (BCT), Advanced Individual Training (AIT), or One Station Unit Training (OSUT) commander.

Soldiers will have their pay processed and disbursed through one central location, the Defense Finance and Accounting Service (DFAS). All soldiers receive pay through either the Defense Joint Military Pay System - Active Component (DJMS-AC) or Reserve Component (DJMS-RC). All AC enlisted are paid by DJMS-AC and all RC enlisted are paid by DJMS-RC.

Commanders should be aware of some administrative differences between the two pay systems so they can minimize soldiers' confusion.

- Reserve Component soldiers have **NO OPTION** to choose a mid-month pay. They must receive a mid-month pay and an end-of-month pay. Active Component soldiers can opt to receive only an end-of-month pay.
- Reserve Component soldiers **CANNOT** have allotments taken out of their pay under the DJMS-RC system.
- Reserve Component soldiers earn leave, but DJMS-RC does not keep track of leave.
- Reserve Component soldiers receive their LESs at an address designated in their Master Military Pay Account (MMPA).
- Army National Guard (ARNG) soldiers have an additional deduction on their LES: State-Sponsored Life Insurance (SSLI). They may also have Servicemember's Group Life Insurance (SGLI).
- The **BRANCH** block in the "ID" section should properly identify Reserve Component soldiers as USAR or ARNG.

- All Reserve Component soldiers, like all the Active Component soldiers, must sign up for SURE PAY.

NOTE: For a detailed explanation of the Reserve Component LES, see chapter 3.

The local finance office has on-line access to DJMS-AC and DJMS-RC. Therefore, any problems or discrepancies can and should be handled locally. All Active Component finance offices have had training on the DJMS-RC system and processing. The capability to resolve soldiers' RC pay issues locally and quickly does exist.

Furthermore, a complete pay history, or Master Military Pay Account (MMPA) exists for every soldier in the Army, regardless of which pay system they are on. Finance clerks in **ANY** finance office can access this information.

Soldiers can avoid making needless trips to the finance office if commanders brief them early about the differences in the two pay systems. Use this chapter and chapter 8 in conjunction with platoon-level discussions to train soldiers.

Section II

This section is written for the Reserve Component unit commander.

As of 1 January 1994, Reserve Component soldiers receive pay by the Defense Joint Military Pay System - Reserve Component (DJMS-RC). This is the same pay system as Joint Service Software - Reserve Component (JSS-RC); only the name is different. Commanders should also be aware that Active Component soldiers receive their pay by another system, DJMS-AC (Active Component).

The Army uses DJMS-AC to pay Active Guard Reserve (AGR) soldiers. Commanders will be most concerned with the DJMS-RC system for their Inactive Duty Training (IDT) assemblies.

NOTE: Soldiers on Initial Active Duty Training (IADT), either regular or spilt option, will receive their pay by DJMS-RC, even if they are on active duty for more than 180 days. This means soldiers' Initial Entry Training (IET) pay history will appear in their Master Military Pay Accounts (MMPAs) on the DJMS-RC system.

Units receive a monthly paper copy of each soldier's MMPA. Units will not receive copies of LESs for distribution, as in the past. The impact of this is two-fold: (1) Units will have a tremendous amount of pay information at their disposal, and (2) units will not lose training time to LES distribution. Commanders must remind their soldiers they are the only ones who receive a copy of their LES. They alone will have the most current information pertaining to their pay.

Soldiers must also understand they may receive up to eight LESs in a given month. An LES is produced every time an action is posted to a soldier's pay account. Some administrative changes

to a pay account also produce an LES.

There are eight pay account updates per month. For example, a promotion or address change will generate an "advisory" LES, which the Army will mail to the soldier's home address. If any further information about duty performed is posted to the pay account during a specific update, then the system will automatically generate a payment.

This system will work to the soldiers' advantage with timely processing. Soldiers performing duty at certain times of the month will receive their pay quicker, if and only if, their units submit the required data in a timely manner. Generally, once the applicable information leaves the unit, payment should be processed and received within two weeks.

The pay office has on-line capability to research any pay problem soldiers encounter. They can directly access the DFAS mainframe computer that is responsible for paying the entire Army.

This new pay system has many advantages and differences over the obsolete Joint Uniform Military Pay System - Reserve Component (JUMPS-RC) that commanders may be familiar with. Here are the primary differences:

- There are now eight times a month that soldiers can have their pay processed, instead of just one.
- With SURE PAY (Electronic Funds Transfer - EFT), soldiers can have their pay safely and quickly deposited into their bank accounts for immediate access.
- Finance offices can access 12 months of historical pay data "on the spot," greatly enhancing pay problem research.
- Units now receive a copy of each soldier's MMPA every month.
- Units will receive a RC Master Military Pay Account (MMPA) History Report (UHO22-2405) which details such issues as individual IDT and AD performance data, bonus information, reenlistments, and much more.
- All LESs go directly to the soldiers' homes, **NOT TO THE UNIT.**
- There will no longer be a payday at the end of annual training; soldiers will have all pay deposited in their bank accounts.
- DFAS **WILL COLLECT** State taxes from all soldiers for all pay, including annual training.
- The Army will deduct federal taxes at the daily rate, rather than a fraction of the

monthly rate. The net effect of this change is that RC soldiers have more taxes taken out of their pay than in the past.

- DFAS will assess any request for additional tax withholding at the daily rate. For example, a \$50.00 additional withholding request will generate a \$200.00 deduction for a MUTA 4. That same request will result in a \$750.00 deduction for a normal 15-day annual training. Your soldiers will probably not need additional tax withheld under the daily tax rate.

- The chain of command for USAR soldiers with pay problems is:

Unit Administrator
USAR Headquarters

USAR soldiers should not address problems to the RCPSOs or to the OCAR office located at DFAS.

- The chain of command for ARNG soldiers with pay problems is:

Unit Headquarters
USPFO
National Guard Bureau (NGB)

- There are 5 USAR RCPSOs (3 located within CONUS and 2 located OCONUS). There are 54 State ARNG USPFOs, and there is worldwide finance support available that can access Reserve Component soldiers' pay accounts and input pay data.

Section III

This section contains a checklist for the Reserve Component unit commander to give to soldiers, who have been mobilized and deployed, upon their redeployment. This checklist will assist unit commanders in preparing soldiers for completing their final travel voucher, DD Form 1351-2. Commanders should stress to their soldiers the importance of using this checklist as a guide in preparing their final traveler voucher to minimize the number of incorrect travel vouchers being submitted. Also, by submitting a correct travel voucher, the soldier will receive his travel payment in a timely manner.

Unit Commander's Travel Voucher Checklist
The following information is provided to assist Unit Commanders in preparing soldiers for completing their final travel settlement. A good rule of thumb is to have soldiers "keep every document" associated with the deployment.

Required	Documents	Explanation
Yes No Yes No Yes No Yes No	Unit Mobilization Orders- Unit Demobilization Orders- Any amendments to orders- Any TDY orders issued- <i>1 Copy of each order</i>	The travel section will use the orders to verify reporting dates.
Yes No	DA Form 31 Request and Authority for Leave <i>1 Copy of each DA Form 31</i>	Soldier's entitlements change when a soldier is on leave.
Yes No	Travel Advances <i>1 Copy of each travel advance</i>	The soldier will receive a computer printout that summarizes each advance and a computerized sheet that shows the calculation of entitlements. The soldier must provide a copy of every advance received while deployed. Providing a copy of the calculation sheet will help prevent an improper payment.
Yes No	DD Form 1351-2: Accrual Payments <i>1 Copy of each DD Form 1351-2</i>	These are interim travel settlements received during the deployment.
Yes No	Statement of Non-Availability for Meals <i>1 Copy of each Statement of Non-Availability or the memorandum from the Commander</i>	This document allows the soldier to eat his/her meals off post and receive reimbursement. It is issued by the installation. In some cases, a control number will be issued by the installation to each soldier in lieu of the Statement of Non-Availability. If this is the case, this number must be annotated at the top of the of the final DD Form 1351-2 travel settlement voucher. Also, a soldier's orders may state that "Full Per-Diem Authorized". If this is the case, a statement on Non-Availability or a control number is not required. The Commander may also certify that meals are not available. If this is the case, a signed memo must accompany the final settlement voucher.

		Additionally, include a copy of any other statements regarding missed meals or a change in per diem status.
Yes No	Lodging Statement <i>1 Copy of each Lodging Statement</i>	Soldiers should always contact the billeting office at the TDY installation. If lodging is not available at the installation, soldiers may receive statements of nonavailability from the billeting office, or they must prepare a statement of record that lodging was unavailable. A control number for the soldiers' statements will be issued by the billeting office.
Yes No	Transportation <i>1 Copy of each</i>	A copy of each TR (government issued ticket) or commercial ticket must accompany the final travel voucher. If a soldier is required to pay for transportation to and from meals, he must have a statement listing the cost of transportation for each meal. Reimbursement for transportation costs for more than one meal per day must have the approval of the Commander, NTE 3 meals per day. Additionally, the statement of non-availability for transportation must be attached to the settlement voucher.
Yes No	U.S. Post Office Shipping <i>1 Copy of all receipts</i> <i>1 Copy of Commanders Authorization</i>	If a soldier ships items home from the deployment area, he/she must provide the receipt. Transportation will determine what items are authorized for shipment. A memo from the Commander authorizing the shipment is also required.
Miscellaneous Information		
1. Save all receipts. Place them in an area where they won't get lost. 2. Anything claimed under \$75.00 does not require a receipt (unless otherwise noted). 3. When completing the DD Form 1351-2, ensure that the itinerary is complete , with no missing periods of time. <i>Incomplete itineraries and missing documents will result in the return of the soldier's travel voucher for corrective action.</i> 4. Include any other statements or official documents associated with each soldiers travel (DA Form 4187, memorandums, etc.).		
RANK:	NAME:	SSN:

GLOSSARY

AAFES - Army and Air Force Exchange Service
AC - Active component
ACS - Army Community Services
ADSW - active duty for special work
AER - Army Emergency Relief
AGR - Active Guard and Reserve
AIT - advanced individual training
ARNG - Army National Guard
AT - annual training
ATM - automated teller machine
AWOL - absent without leave
BAQ - basic allowance for quarters
BAS - basic allowance for subsistence
BCT - basic combat training
CD - Certificate of Deposit
CFC - Combined Federal Campaign
COLA - cost of living allowance
CONUS - Continental United States
CONUS COLA - Continental United States cost of living allowance
DFAS - Defense Finance and Accounting Service
DJMS-AC - Defense Joint Military Pay System - Active Component
DJMS-RC - Defense Joint Military Pay System - Reserve Component
DVA - Department of Veterans Affairs
EFT - electronic fund transfer
ETS - expiration of term of service
FDP - foreign duty pay
FICA - Federal Insurance Contributions Act
FSA - family separation allowance
GPLD - government property lost or damaged
GTR - government transportation request
ID - identification
IDP - imminent danger pay
IDT - inactive duty training
IET - initial entry training
IRA - individual retirement account
JAG - Judge Advocate General
JFTR - Joint Federal Travel Regulation

LES - leave and earning statement
M&IE - meals and incidental expenses
MMDA - money market deposit account
MMMF - money market mutual fund
MMPA - master military pay account
MTA - military transportation authorization
MUTA - multiple unit training assemblies
NOW - negotiable orders of withdrawal
NPA - net pay advice
OSUT - one station unit training
PAC - Personnel and Administration Center
PCS - permanent change of station
PIN - personal identification number
POC - privately owned conveyance
POV - privately owned vehicle
PSRC - Presidential Selected Reserve call-up
PX - post exchange
RCPSO - Reserve Component pay support office
SGLI - Servicemember's Group Life Insurance
SSCRA - Soldiers' and Sailors' Civil Relief Act
SSLI - State-sponsored life insurance
TDY - temporary duty
TLA - temporary lodging allowance
TLE - temporary lodging expense
TPC - training pay category
USAR - United States Army Reserve
USERRA - Uniformed Services Employment and Reemployment Rights Act
USSH - Uniformed Soldiers' and Sailors' Home
USPFO - United States Property and Fiscal Officer
UTAs - unit training assemblies
VHA - variable housing allowance