

Understanding Your Benefits: Financial Planning for Service Members

Veterans of the U.S. armed forces are eligible for a wide range of benefits, from education funding to healthcare to securing a low-interest home loan. But understanding what those benefits are and who qualifies for what can be challenging, especially as qualification requirements – and the benefits themselves – evolve over time. Here are four of the most significant benefits service members may be entitled to and tips on how to make the most of them.

HEALTHCARE BENEFITS

BREAKDOWN:

Active and retired service members and their families may be eligible for benefits offered by the Veterans Health Administration (through the Department of Veterans Affairs) and TRICARE (through the Department of Defense). Veterans Administration health services – which are fully staffed and operated by VHA medical personnel and facilities – are

available without charge for those on active duty and most veterans and for a monthly fee for those in the reserves. TRICARE is a health insurance program that uses private doctors and hospitals (much like Medicare – in fact, TRICARE rates are tied to Medicare rates). The TRICARE system offers several plans for service members to choose from, including TRICARE Prime, TRICARE Supplement and TRICARE for Life.

WHO IS ELIGIBLE

For VA Health Services

Service members who:

- Served for 24 continuous months in the active military
- Were not discharged dishonorably

Service members who were discharged for a disability resulting from their service, for a hardship (“early out”) or who served prior to September 7, 1980, are exempt from the active-duty requirement.

Members of the reserves or National ►

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Guard who completed the full period for which they were called are also eligible to receive benefits.

For TRICARE Health Services

Service members who:

- Are an active-duty or retired Uniformed Service member or member of the National Guard or Reserve

Dependents of eligible veterans are also eligible for TRICARE, as are Medal of Honor recipients and their families. Following the death of a U.S. military member on active duty, the surviving spouse is eligible for TRICARE for three years. A former spouse may also be eligible for TRICARE for one year after the date of the divorce, depending on the lengths of military service and marriage. If a surviving or former spouse remarries, they are no longer eligible for TRICARE.

BAIRD TIP

Because the current demand for VA services is well above capacity, Congress has required the VA health system to create a priority system to provide care for those most in need. Service members may qualify for enhanced priority based on such factors as their disability status and where and when they served. Your VA medical benefits are subject to certain VA national income limits based on where you live, your priority group and how many dependents you have.

DISABILITY BENEFITS

BREAKDOWN:

The U.S. armed forces have two types of disability plans: a compensation benefit for veterans whose disability stems from active duty and a pension benefit for anyone who served in war and currently has a disability.

You may be eligible for the disability compensation benefit if your active duty service resulted in or exacerbated an injury or disease. How much you are compensated will depend on the severity of your disability and if you have dependents. You must be deemed 10% disabled to qualify, and the benefit is not contingent on income or length of service.

Disabled veterans who are not able to work, as well as their surviving spouses and children, might also qualify for a disability pension benefit. The amount of your pension is capped and will be reduced by other income you might have earned.

WHO IS ELIGIBLE

Service members who:

- Served on active duty or active/inactive duty training
- Have a disability rating for a service-connected condition that was caused or exacerbated during your time in the U.S. military, even if the disability did not manifest until after your service ended

Qualified dependents of veterans who meet these criteria may also be eligible for disability benefits.

BAIRD TIP

As part of the disability pension benefit, disabled veterans may be eligible for additional housebound or aid and attendance allowances. This can be an especially valuable benefit given the skyrocketing costs of long term care – assistance for those who need help completing common daily activities like bathing or dressing. According to a 2018 Genworth Cost of Care study, the cost of care in assisted living facilities and nursing homes has increased by 3% each year over the last five years.

EDUCATION BENEFITS

BREAKDOWN:

Under the Post-9/11 Veterans Educational Assistance Act of 2008, often referred to as the Post-9/11 G.I. Bill, you may be eligible for 36 months of college or career training plus a stipend for housing and books. You need to have served at least 36 months on active duty to be eligible for the full benefit, though those who have served less qualify for a partial benefit. These benefits do not expire for veterans who discharged after 2012, and benefits may be transferred to qualified dependents if certain length-of-service criteria are met.

WHO IS ELIGIBLE

Service members are eligible for the Post-9/11 G.I. Bill if they:

- Served for at least 90 days, either continuously or cumulatively, after September 10, 2011
- Were not discharged dishonorably

Service members may also be eligible for additional education benefits through the Montgomery G.I. Bill Active Duty, the Montgomery G.I. Bill Selected Reserve and other VA educational programs. Veteran dependents or surviving spouses and children may also be eligible for educational assistance through a G.I. Bill program, including in-state tuition rates in all 50 states, if they enroll within three years of discharge. ►

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BAIRD TIP

Be thoughtful when deciding where you want to get your education, especially if you are considering an online program. While not all online, for-profit schools are predatory, many try to take advantage of veterans on the Post-9/11 G.I. Bill by charging higher tuition rates. In addition, while you can take all your coursework online, doing so could decrease your housing allowance by up to \$2,000. Try to take at least one class on campus to protect the value of your benefits.

PENSION / RETIREMENT BENEFITS

BREAKDOWN:

In January 2018, the military retirement system changed from a defined pension benefit, where service members would receive a pension for their expenses in retirement, to a hybrid defined contribution/defined pension benefit, where service members can save for their own retirement. The Uniformed Services Blended Retirement System combines a traditional pension with the Thrift Savings Plan (TSP), a 401(k)-style retirement program where the amount of income you receive in retirement will depend on how much you contribute during your working years, how much is contributed by the government and the earnings your investments accumulate over time. (The agency you served under will contribute 1% of your base pay plus match a portion of your own contributions, up to 4%. Service members who contribute at least 5% of their salary will receive the full 5% match.)

WHO IS ELIGIBLE

- All service members who enter the armed forces on or after January 1, 2018, are covered under the Blended Retirement System (BRS).
- Service members who served prior to January 1, 2018, are covered under the legacy defined pension benefit, though depending on length of service, you may be eligible to opt into the BRS.

It's worth noting that the time it takes before your retirement funds are vested – that is, when the contributions and earnings in your retirement account cannot be taken back by the service – is based on how long you've served. Also, service members who do not opt into the BRS and who serve fewer than 20 years are not

eligible for the legacy program's lifetime monthly annuity or government contributions to their TSP account.

BAIRD TIP

To maximize the power of compounding, save as much as you can as early as you can in your military career. Based on the TSP's L-2050 Fund's projected long-term returns, putting \$100 per month into your retirement fund for 10 years – and then not another penny – could have a value of \$100,000 25 years after you stop contributing.* At the very least, try to save enough to earn the maximum government match, as that is free money to fund your retirement.

Figuring out your veterans benefits can be confusing, especially given how often eligibility criteria – and the value of the benefits themselves – can change. A Baird Financial Advisor can help you sort through your options and make the best choices long term for you and your loved ones.

[Please reach out if you or anyone you know would benefit from discussing this topic further.](#)

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