Module 1.6
Understand How Taxes Change

PERSONAL FINANCIAL PLANNING FOR TRANSITION

Financial Planning for your Future

Learning Objectives

- Navigate resources to include irs.gov, VITA, state tax calculators, and military pay
- Locate and contact personal financial educator located in military family service centers
- Contact installation legal offices for Wills, Powers of Attorney, Estate/Tax Planning and other legal documents, as applicable

Understanding Tax Issues

- **Tax Advantages**
  - FICA (Social Security)
  - Federal taxes
  - State taxes
- **Withholding**
  - Marital status
  - Exemptions

Use VITA, www.irs.gov, state calculators

Tax Changes

Monthly Military Pay		Monthly Civilian Pay	
Single, E 4, North Carolina		Annual Salary: $42,647.04 or $20.50 per hour	
Base Pay	$ 2,238.00	Base Pay	$ 3553.92
BAH	$ 948.00		
BAS	$ 367.92		
Gross Annual	$3,553.92	Gross Annual	$3,553.92
Tax Deductions		Tax Deductions	
FICA	$234.00	FICA	$414.00
Social Security	$138.76	Social Security	$220.34
Medicare Tax	$32.45	Medicare Tax	$51.53
Total Federal Deductions	$405.21	Total Federal Deductions	$685.87
Net Income after taxes	$3,148.71	Net Income After Taxes	$2,868.05
Difference of $280.67 per month			

NOTE: This does not include state tax or health insurance, both of these will lower the net income on the civilian pay.

Tax Considerations

- State Income Tax
- All Income is taxable
- No longer eligible for automatic filing extension
- May need assistance for TSP tax issues
- Must pay property taxes (car, home, etc)
- Separating Veterans have one year from separation to view/print their MyPay W-2

Contact Installation Legal Office

Update:

- Will
- Power of Attorney (POA)
- Trusts (as needed)
- Medical directive or medical POA
- Living Will

- Ensure information on designated beneficiaries is current and correct

Accessing myPay

<u>Time to access:</u>

- Separating – 13 months
- Retiring – always with new login credentials

<u>To maintain access:</u>

- log on using a personal device to:
  - Update email and physical address
  - Update security questions and review personal settings
  - Print/save a copy of all W2s for the last 13 months

Summary

- Preparation is key
- Understand how much of your income could be withheld for federal and state taxes from your future civilian paycheck
- Understand property taxes on your home, land, car, and recreational vehicles
- Utilize installation legal resources to prepare wills, POAs, etc., before transition
- Understand your withholdings and exemptions

Financial Planning Wrap Up

- Final Steps:
  - ITP: Complete **Block 1: Section C** in your ITP for financial
  - CRS: Complete a 12-post separation budget
  - Make an appointment with installation financial counselor, if necessary.
  - Complete the Transition GPS Participant Assessment: **Financial Planning**

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