

## Veterans Set For a Big Benefits Upgrade in 2009

The Post-9/11 Veterans Educational Assistance Act, which will become effective in August 2008, will position returning U.S. veterans for one of the biggest upgrades in post-military education benefits since the G.I. Bill was signed in 1944.

The act, signed by President Bush in June, pays up to the full cost of tuition and fees at the most expensive public school in the state in which a veteran enrolls. Some can get a free education if they qualify for the full amount, and it not only extends to the main four branches of the military, but also activated members of the National Guard and the Reserves. Best of all, the new program will allow returning servicemen and women with qualifying service to transfer their benefits to spouses or children if they already have a degree.

The current G.I. Bill pays only 70 percent of the cost of a public education and almost a third of the cost of a private-school education, and it currently costs vets \$1,200 to enroll in the program.

Returning veterans might consider this benefits upgrade as part of an overall look at their financial status. A financial planning professional with expertise in military benefits can be a good first stop to re-start civilian life.

To qualify for the new benefits, veterans need to have served at least three months of active duty since 9/11, after which benefits are pro-rated according to months served, up to 36. For veterans who have served at least three years of active duty, they'll qualify for 36 months worth of in-state tuition and fees, or four academic years. For those who serve 24 months, they'll qualify for 80 percent of in-state tuition, plus 80 percent of the costs of books and housing. For those who leave the military due to a service-related disability and served at least 30 days of continuous active duty qualify for the maximum benefit. The program will cover in-state tuition and fees and give veterans a housing stipend pegged to area housing prices. It will also pay \$1,000 a year toward books and up to \$1,200 toward tutoring expenses as long as it's for an in-state school. Out-of-state students will need to make up the difference between in-state and out-of-state costs.

There's also the Yellow Ribbon G.I. Education Enhancement Program, where the federal government matches institutional grants offered by participating schools to vets who qualify for the maximum benefit.

Other things returning vets should remember:

**Getting back to retirement planning:** Military service counts toward vesting for all civilian retirement plans. And thanks to the Heroes Earned Retirement Opportunities (HERO) Act enacted in 2006, military and their families can actually put more money into their traditional or Roth IRA accounts. The act allows tax-free combat pay to be considered as earned income for determining the contribution amount for traditional and Roth IRAs. Before, a military person who earned only combat pay wasn't allowed to contribute to either form of IRA.

**Plan proper use of accumulated pay:** For returning military receiving accumulated military pay or compensation from civilian employment, it's tempting to take the money and blow it. It makes sense to sit down with a financial and tax adviser before a dime gets spent.

**Understand tax issues:** Activated and deployed military personnel receive special tax breaks at the federal and sometimes state level. Military income earned by soldiers in combat zones is tax-free and they don't have to file taxes until 180 days after their return. Activated military personnel also are entitled to an extension on the period of time allowed for a tax break on the profits from the sale of a home. They're also entitled to tax breaks on childcare assistance and certain travel. Nontaxable combat pay can also be considered for the Earned Income Credit.

**Know your rights if problems occur:** The Servicemembers Civil Relief Act of 2003 provides a variety of financial protections for active duty personnel. The act provides stays on civil litigation including bankruptcy and divorce and prevents wage attachments while military personnel are away. Coverage requires active duty confirmation from a commanding officer but expires 90 days after that status has been terminated. The law also makes it tougher – but not impossible – for landlords to evict military families for nonpayment of rent.

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