



# Saving opportunities for military communities

This tool will help you learn about and consider savings opportunities specifically designed for servicemembers or veterans.

Saving money is a key component of being financially ready for unexpected expenses like a car repair. Or you can save for something important to you such as buying a home or paying for your child's wedding.

But saving money can be difficult. Setting money aside today to pay for expenses in the future may conflict with a "You Only Live Once" (YOLO) approach to life. Saving money is about balancing a YOLO ethos with individual and family future needs and goals. People are generally more motivated to save when they have a clear and compelling reason.

For servicemembers, there are special opportunities to save. These include the federal government's Thrift Savings Plan (TSP), the Department of Defense Saving Deposit Program (SDP), and tax-free Individual Retirement Account (IRA) deposits. Servicemembers and veterans with disabilities acquired before the age of 26 may also be able to save in tax-advantaged accounts known as Achieving a Better Life Experience (ABLE) accounts.

NOTE: This tool supplements the list of saving opportunities in "Finding a place for savings" in the Your Money, Your Goals toolkit. It does not replace it.

## What to do

**Read through information about each special saving opportunity.** Some of these are designated for specific purposes like retirement. Others are available in specific circumstances.

**Check your status.** Indicate whether you are contributing to the program. If you aren't and want to learn more information, use the links provided.

## A step further

To access a dynamic and fillable version of this tool, visit [consumerfinance.gov/your-money-your-goals/companion-guides](https://consumerfinance.gov/your-money-your-goals/companion-guides).



# Take advantage of Saving opportunities for military communities

1. Review the special saving opportunities for servicemembers and veterans. Check your status for each option.

## PROGRAM

## CHECK YOUR STATUS

### Thrift Savings Plan (TSP)

The TSP is a retirement savings and investment plan for federal employees and servicemembers. TSP participants can contribute pre-tax or post-tax earnings into a low-cost investment plan with multiple investment funds.

- Pre-tax: money you contribute isn't taxed; you pay taxes when you withdraw funds.
- Post-tax: money you contribute is already taxed; you do not pay taxes on the earnings or the money you contributed.

Participating in the TSP is automatic for servicemembers—the Department of Defense makes an automatic contribution of 1% of your basic pay into the TSP. In addition, after two years of military service, the Department of Defense will match up to an additional 4% of basic pay into the TSP for a total of 5% of the amount you contribute.

Don't leave money on the table! If you do not contribute the additional 4% of your base pay, you are forgoing additional income and the earnings that income could generate.

This is a type of retirement plan where employee, employer, or both make contributions. The amount available for retirement depends on how much the value of the savings and investments increase.

To learn more about the TSP, visit: [tsp.gov](http://tsp.gov).

I contribute to this program.  
How much am I contributing?

\_\_\_\_\_ %

I don't contribute but I want to start

I'm not interested

I need more information

**Split to Save**

Another way to save automatically is through your employer. In addition to employer-based contributions for retirement, you may have an option to split your paycheck between multiple bank accounts.

This option helps ensure money is put aside for savings goals, especially if you're prone to spending down most of your paycheck before your next payday.

To learn more about Split to Save, visit: [consumerfinance.gov/about-us/blog/looking-easy-way-save-money-make-it-automatic/](http://consumerfinance.gov/about-us/blog/looking-easy-way-save-money-make-it-automatic/).

- I contribute to this Program
- I don't contribute but I want to start
- I'm not interested
- I need more information

**Department of Defense Savings Deposit Program (SDP)**

Servicemembers can contribute to the SDP if they are serving in a designated combat zone.

You can deposit up to \$10,000 into the SDP and earn 10% guaranteed interest annually on these deposits while serving in a designated combat zone.

To learn more about the SDP, visit: [militarypay.defense.gov/Benefits/Savings-Deposit-Program/](http://militarypay.defense.gov/Benefits/Savings-Deposit-Program/).

- I contribute to this Program
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- I need more information

**Roth Individual Retirement Account (IRA)**

Servicemembers and veterans can contribute to a Roth IRA at any age if they or their spouse (if filing jointly) have taxable income and their modified adjusted gross income is below certain amounts.

Servicemembers receiving tax-free income can use it to contribute to a Roth IRA. This means the income is never taxed—at contribution or withdrawal. This is a great benefit for servicemembers.

Unlike tax-deferred saving plans, Roth IRA withdrawals aren't taxed if the account is at least five years old and used for an approved purpose called a "qualified distribution." As a result, the growth in value of your contributions isn't taxed.

Funds can also be withdrawn without penalty in the event of death or total and permanent disability.

For more information on setting up a Roth IRA, visit: [irs.gov/retirement-plans/traditional-and-roth-iras](http://irs.gov/retirement-plans/traditional-and-roth-iras).

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### Achieving a Better Life Experience (ABLE) Accounts

You or someone else on your behalf can save money in an ABLE account if:

1. You have a significant disability with the age of onset of the disability before 26 years of age.
2. You are receiving benefits from Supplemental Security Income (SSI) and/or Social Security Disability Income (SSDI) or you are eligible to file a disability certification with a qualified ABLE program or you meet the Social Security's definition and criteria regarding significant functional limitations and receive a letter of certification from a licensed physician.

You can use funds from your ABLE account for "qualified disability expenses" without incurring taxes. Qualified disability expenses may include:

- Education
- Housing
- Transportation
- Employment training and support
- Assistive technology
- Personal support services
- Health care expenses

There may be monthly deposit requirements, annual contribution limits, and other rules associated with the account.

States have their own ABLE account programs, many of which offer to enroll individuals regardless of their state of residence. Shop around for a state plan that meets your needs at [ablenrc.org/compare-states](http://ablenrc.org/compare-states).

For a list of ABLE Accounts offered by state, visit the ABLE National Resource Center at: [ablenrc.org](http://ablenrc.org).

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