



Military Pay Issues

[Print Course](#)

[Print Handouts](#)

COURSE DESCRIPTION

Military Pay Issues is a 60- to 70-minute course designed to familiarize learners with military compensation so that they will be able to verify information on their Leave and Earnings Statement (LES) and correct common pay problems.

If possible, ask learners to bring their most current LES to this class. Be sure to review the module content and update any changes in dollar amounts. Be prepared to provide the name and contact information for the local Disbursing/Personnel Support Detachment (PSD)/Customer Service Desk (CSD). If you are collaborating with PSD to facilitate this lesson, be sure to cover the content and desired outcomes with the PSD representative beforehand. You might also want to determine which sections it makes the most sense for your PSD representative to facilitate before requesting their assistance.

As an option, this course can be taught using the optional *Military Pay Check* review game, because most learners will already know much of the content included in this module. The game can be played using the PowerPoint version, or with the paper and pencil version.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learner should be able to successfully verify and manage pay information across their career to maintain financial readiness.

Enabling:

- During the *LES Match* activity, learners will correctly identify at least five components of an LES.
- During the *Perks and Privileges* activity, learners will identify at least five examples of non-cash compensation that make up a service member's total military compensation.
- During the *I Have a Problem!* activity, learners will identify at least five common pay problems and suggest viable sources of assistance.

REFERENCES

- Department of the Navy. (2009). *Command Financial Specialist Training Manual*. Commander, Navy Installations Command, Washington, D.C.
- Department of the Navy. (2005). *SECNAV Instruction 1754.1B: Family Support Programs*. Office of the Secretary of the Navy, Washington, D.C.
- Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program*. Chief of Naval Operations, Washington, D.C.
- “Basic Allowance for Housing (BAH).” Defense Travel Management Office. Web. March 16, 2015. www.defensetravel.dod.mil/site/bah.cfm
- Defense Finance and Accounting Service. Department of Defense. 2014. Web. March 16, 2015. www.dfas.mil
- Department of Defense. Undersecretary of Defense (Comptroller). *DoD Financial Management Regulation, Volume 7A: Military Pay Policy—Active Duty and Reserve Pay*. DoD, June 2014. PDF file. http://comptroller.defense.gov/Portals/45/documents/fmr/Volume_07a.pdf
- Gordon, S., and L.E. Sharff. General Services Administration. *Uniformed Services Almanac*. Washington: GSA (annual). Print.
- Internal Revenue Service. *Publication 3: Armed Forces’ Tax Guide*. Department of the Treasury, Jan. 15, 2015. PDF file. www.irs.gov/pub/irs-pdf/p3.pdf
- Internal Revenue Service. *Publication 15: Circular E, Employer’s Tax Guide*. Department of the Treasury, Dec. 23, 2014. PDF file. www.irs.gov/pub/irs-pdf/p15.pdf
- Internal Revenue Service. *Publication 17: Your Federal Income Tax (For Individuals)*. Department of the Treasury, Feb. 9, 2015. PDF file. www.irs.gov/pub/irs-pdf/p17.pdf
- Internal Revenue Service. *Publication 596: Earned Income Credit*. Department of the Treasury, Dec. 22, 2014. PDF file. www.irs.gov/pub/irs-pdf/p596.pdf
- “Life Insurance.” *Department of Veterans Affairs*. Department of Veterans Affairs. Web. March 16, 2015. www.benefits.va.gov/insurance

- “Military Compensation.” *Undersecretary of Defense, Personnel & Readiness*. Department of Defense, n.d. Web. March 16, 2015. <http://militarypay.defense.gov>
- Military OneSource*. Department of Defense. Web. March 16, 2015. www.militaryonesource.com
- MyPay*. Defense Finance and Accounting Service. Web. March 16, 2015. <https://myPay.dfas.mil>
- “Per Diem Rates Query.” *Defense Travel Management Office*. Department of Defense. Web. 2014. www.defensetravel.dod.mil/site/perdiemCalc.cfm
- “Tax Information for Members of the U.S. Armed Forces.” *Internal Revenue Service*. Department of the Treasury, Dec. 8, 2015. Web. Dec. 24, 2015. www.irs.gov/uac/Tax-Information-for-Members-of-the-U.S.-Armed-Forces
- Thrift Savings Plan*. Federal Retirement Thrift Investment Board. Web. March 16, 2015. www.tsp.gov

COURSE PREPARATION

Handouts:

- *LES Match*
- *Military Compensation Checklist*
- *The Military Pay Check*
- *Understanding Your LES*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Markers, pens, pencils, paper
- Internet connection (where available)
- Pay and Allowances Tables, available from www.dfas.mil
- Tax Tables, available from www.irs.gov
- *Military Pay Issues* PowerPoint slides
- *The Military Pay Check Review Game* (optional)

SUMMARY OF LEARNER ACTIVITIES

- *LES Match*: Matching activity in which learners identify the sections of an LES.
- *Perks and Privileges*: Brainstorming activity where learners list non-cash compensation included in the service members' total military compensation.
- *I Have a Problem*: Brainstorming exercise in which learners propose solutions to common pay problems.
- *The Military Pay Check Review Game*: An optional PowerPoint game that can be used for presentation of course content or in lieu of lecture or as a review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
 - a. Agenda
 - b. The Importance of Understanding Military Compensation
2. Military Pay (15 minutes)
 - a. When You Are Paid
 - b. Direct Deposit System
 - c. Changes in Pay
 - d. myPay
 - e. Navy Cash Card and Split Pay
 - f. Understanding Your Leave and Earnings Statement
 - g. Learner Activity: *LES Match*
3. Cash Compensation (10 minutes)
 - a. Pay
 - b. Allowances
 - c. Allotments
 - d. Deductions
4. Non-Cash Compensation (10 minutes)
 - a. SGLI and FSGLI
 - b. Thrift Savings Plan
 - c. Medical and Dental
 - d. Education
 - e. Leave
 - f. Retirement

- g. Learner Activity: *Perks and Privileges*
- 5. Military Tax Issues (5 minutes)
 - a. FICA Deductions
 - b. Federal Income Taxes
 - c. State Income Taxes
- 6. Common Pay Problems and Options to Correct Them (10 minutes)
 - a. Learner Activity: *I Have a Problem!*
 - b. Repayment Options
- 7. Summary (5-15 minutes)
 - a. Sources of Help
 - b. Optional Learner Activity: *The Military Pay Check Review Game*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Trainer's note: Distribute the *Military Compensation Checklist* to learners and tell them they can mark items they may need to review or complete, now or in the future. Most of the items on the *Checklist* will be discussed during the course. The *Checklist* also can serve as an excellent financial guide throughout their career.

AGENDA

The purpose of this course is to help you to understand the military compensation system by focusing on the components of the Leave and Earnings Statement (LES) and the use of the myPay website. We will also discuss what makes up your military compensation package, going above and beyond the “dollar bills.” Finally, we will take a look at how to correct common pay problems and repay government debts.

THE IMPORTANCE OF UNDERSTANDING MILITARY COMPENSATION

Why is it important that we understand the elements of military compensation?

To know what you are currently entitled to receive.

To know what you need to do as your circumstances change. Financial hardships can occur when you do not understand how much pay you are entitled to and what to expect. Frequently these hardships occur because you are not aware of the need to inform your pay office about certain events.



SLIDE 1



SLIDE 2



SLIDE 3

To keep current on changes in the pay system. Military pay is governed by many rules that change in order to recruit and retain qualified personnel. The changes mean that the military needs to know a lot about you to be able to pay you correctly. If key information is missing or inaccurate, your pay may be incorrect. Mistakes occur, and knowledge of pay will help correct them quickly when they do, ensuring that you are getting your full entitlements – no more, no less.

To encourage you to pay more attention to your pay. A steady paycheck is a double-edged sword in that service members have a tendency to get complacent about their pay and benefits. However, fluctuations in pay can complicate your financial situation and perhaps catch you off-guard. Many events occur in your life that necessitate pay and benefit changes, from going to sea or transferring, to getting married or reenlisting, and everything in between. Awareness of how the military pay system works, knowledge of your entitlements and the ability to check your LES for accuracy can stave off many problems.

MILITARY PAY

WHEN YOU ARE PAID

All active-duty service members are paid on the 1st and 15th of each month. If either date falls on a holiday or weekend, you will receive your pay on the workday before the holiday or weekend.

DIRECT DEPOSIT SYSTEM

With the Direct Deposit System, net pay amounts are sent to the financial institution you designate. These payments are sent via electronic funds transfer from Defense Finance and Accounting Service Cleveland (DFAS-CL). It is your responsibility to ensure that the account selected for direct-deposit payments is open and in good standing.

CHANGES IN PAY

There are many events that will cause changes in pay. These changes must be made by you in myPay or be reported to the local pay and personnel offices:

- Allotment changes, starts or stops.
- Tax changes, including changes in exemptions, state of legal residence or additional withholding.
- Assignment or termination of government quarters for members with dependents.
- Marriage, divorce or other change in dependency status.



- Relocation.

MYPAY

Trainer's note: It is very important that service members understand how to access and use the myPay website. If an Internet connection is available, it is recommended that you navigate to and explore the website (<https://mypay.dfas.mil/mypay.aspx>). Be sure to point out the FAQ link on the menu bar at the top of the screen. In the FAQs, be sure to navigate to the Login and Password sections.



MyPay is an automated system that puts you in control of your pay account. MyPay has multiple functions that allow members to better manage their money. On myPay you can:

- Access LES and statements.
- Add or change allotments.
- Arrange for direct deposit.
- Purchase savings bonds.
- Change income-tax withholding.
- Enroll in and contribute to the Thrift Savings Plan.
- Change your email address and other personal settings.
- Set up charitable contributions.

Trainer's note: For learners who are new to myPay, refer them to the New User information on the myPay website.



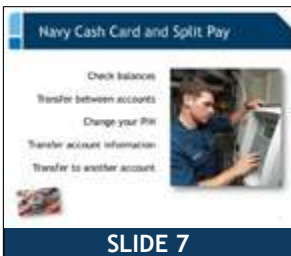
Your first step in using myPay is to create an account. Using your DoD Common Access Card (CAC) and a SmartCard reader, you can access myPay anytime after you receive your first paycheck by selecting “SmartCard Login” on the myPay home page. If you do not have a CAC or SmartCard reader, information with your temporary password will be sent to the email address provided to DFAS by your employer.

Once you have created an account you will need to establish a myPay login and permanent password. You can do this on the myPay website at <https://mypay.dfas.mil/mypay.aspx>. To create a login ID, click on the “Create an Account” link. If you have forgotten your login ID and need to reset it, click on the “Forgot your Login ID?” link. To establish your permanent password or reset a password, click on the “Forgot or Need a Password?” link. Passwords expire every 150 days, so they will need to be updated frequently.

For further assistance with your myPay account you can contact your local Personal Support Detachment (PSD) or contact DFAS at: 1-888-DFAS411 or 1-888-332-7411, DSN 580-5096.

NAVY CASH CARDS AND SPLIT PAY

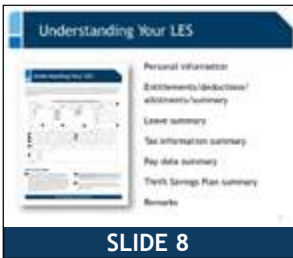
Trainer's note: For more information on the Navy Cash card, visit the Treasury Department's Bureau of the Fiscal Service website at: www.fms.treas.gov/navycash.



The Navy Cash card is a debit card system that gives service members access to shipboard accounts as well as their home bank and/or credit union accounts. Given to each service member on a ship, the card has a PIN-protected “electronic-purse” chip on the front that allows the service member to pay for purchases and services aboard the ship. The debit function, operated by MasterCard through a magnetic strip on the back, can hold an amount up to the balance in the service member’s account and can be used on shore. Additional service options include:

- Checking account balances.
- Transferring money between accounts (financial institution and Navy Cash account).
- Changing your PIN.
- Completing a “Ship Check-In” (transfers account information to a new ship when you check in).
- Transferring money from your Navy Cash account to another person’s Navy Cash account.

Using a split-pay option, service members can have part of their paycheck sent to their NavyCash account and part sent to their home bank or credit union. They also can transfer money to their NavyCash account via a kiosk aboard the ship, online or by phone.



UNDERSTANDING YOUR LEAVE AND EARNINGS STATEMENT

Trainer's note: Ask learners to look at their own LES, if they brought it, and review the sections as you provide the information on each. If they do not have their LES, they can follow along with the *Understanding Your LES* handout.

The Leave and Earnings Statement (LES) is a monthly statement showing all pay changes and information for the month, including entitlements (pays and allowances), deductions and allotments, and pay-related remarks.

Your pay is your responsibility. You should verify information on your LES each month. If your pay varies and you do not understand why, see your local disbursing office or go to myPay to check and investigate the changes. If you need to contact DFAS directly, contact information can be found on the myPay website.

The LES contains the following information sections:

- Personal information
- Entitlements/deductions/allotments/summary
- Leave summary
- Tax information summary
- Pay data summary
- Thrift Savings Plan summary
- Remarks

Section A – Personal Information: Contains information that specifically identifies you, such as your full name, Social Security number, pay grade, pay base date, years of service and Expiration Term of Service (ETS).

Sections B, C, D, E – Entitlements/Deductions/Allotments/Summary: Lists the other figures that make up your monthly compensation, such as pay, allowances, taxes, deductions, garnishments (if any) and allotments. This section allows you to see exactly how your take-home pay is calculated. Date of initial entry into military service (DIEMS) is the date you signed your contract committing to the military. The type of military retirement plan for which you are eligible is shown in the RETPLAN box.

Section F – Leave Summary: This is your beginning leave balance, the leave you have earned from the beginning of the fiscal year (Oct. 1) and the leave you have used, cashed in or lost as a result of exceeding the maximum balance. Be certain

to check “leave used” to make sure it is correct. Also check the “use/lose” block so you do not exceed the maximum allowable accrued leave.

Sections G, H, I – Tax Summary: This is the tax paid for the period and for the year. It shows the number of exemptions you claim for tax withholding. It is important to keep your December LES as a backup for other IRS documents (such as a W-2) to use when doing your income-tax preparation. Also, check the M/S and EX block listed in sections G and I. This shows the marital status and number of exemptions you currently are claiming. Most military members enter the service at SOO (single claiming zero), and many forget to change this once they marry or have children. Changing your exemptions to the correct status can have a big effect on the amount of pay you receive. Many members find a big increase in their monthly check when they adjust these items.

Section J – Pay Data Summary: The specific information used to determine the allowances you are entitled to receive. The data includes dependent information, the ZIP code of your duty station, the amount you pay in rent if living “out-in-town” and unit identification numbers. Verify the ZIP code information to ensure that you are receiving the proper BAH for the area in which you are living.

Section K – Thrift Savings Plan Summary Information on TSP Contributions: The rate boxes show percentage of pay specified for contribution to the TSP. The current boxes show the amount contributed this pay period, while the YTD shows the amount for the year. You also can view your TSP account at www.TSP.gov.

Section L – Remarks: This section includes notes from DFAS regarding your monthly statement or other information, such as the starting or stopping of allotments or direct deposit, use of leave, garnishments or general notes regarding pay, allowances, deductions or other military benefits.



LEARNER ACTIVITY: *LES Match*

Time: 10 minutes



Materials: *LES Match* and *Understanding Your LES* handouts

Procedure: Distribute the *LES Match* and *Understanding Your LES* handouts and instruct learners to match the 10 descriptions on the *LES Match* handout with the correct LES sections on the *Understanding Your LES* handout. Review answers once the learners have completed the activity.

Match the descriptions with the correct LES section on the *Understanding Your LES* handout.

- Where would you find your Federal Income Tax Withholding (FITW) status? (Answer: G)
- A clothing allowance would be listed in this section. (Answer: B)
- If you recently stopped an allotment, it would be shown here. (Answer: L)
- Your year-to-date TSP contributions would be here. (Answer: K)
- You would find your duty station ZIP code here. (Answer: J)
- A meal deduction would be listed in this section. (Answer: C)
- Where would you find your current leave balance? (Answer: F)
- An allotment to your bank savings account would be here. (Answer: D)
- Your end-of-month (EOM) pay amount will be listed here. (Answer: E)
- Your years of service will be listed in this section. (Answer: A)

CASH COMPENSATION

PAYS

Items listed as “pay” are taxable unless they are received in a designated combat zone or imminent-danger area. There are three basic types of pay in your military compensation package: base, special and incentive.

Base pay: This taxable pay is determined by rank and years of service. This is the portion of pay on which your military retirement is calculated. Raises are earned upon promotion or advancement for years of service.

Special and incentive pays: These pays are given to qualified members who possess specific or unique skills, or skills determined to have critical shortages. They can be based on an annual lump-sum bonus, monthly pay or pay when the duty is performed. These types of pays come in three main categories:

- Special recognition pays are monthly cash payments for duty performed.
- Skill incentive pays are retention tools that are paid monthly on a long-term basis.
- Critical skill and reenlistment bonuses are a retention tool that usually requires an additional service obligation. These are lump-sum annual cash bonuses.

Special pays you may see on your LES include:

- Sea Pay.
- Submarine Pay.



- Career Enlisted Flier Incentive Pay – enlisted.
- Aviation Career Incentive Pay – officers.
- Hazardous Duty Incentive Pay.
- Hostile Fire Pay/Imminent Danger Pay/Combat Pay.
- Diving Duty Pay.
- Special Assigned Duty Pay.
- Foreign Language Pay.
- Various professional pays for doctors, dentists, nurses, etc.
- Wounded Warrior Pay.
- Special Compensation for Assistance with Activities of Daily Living (SCAADL).

Pays may be based on pay grade, years of service, years of sea service, years of aviation experience, billet (or Navy Enlisted Classification), location of billet, qualifications or any combination of these. Some of these entitlements must be recertified annually to verify that you still qualify for them.

ALLOWANCES

You may receive allowances to cover living expenses, housing, travel and moving expenses. These are non-taxable items. Allowances are based on many different circumstances and criteria, varying from whether you have dependents to whether you are authorized to live off base. If you have received pay(s) or allowance(s) that you are not entitled to, notify the disbursing office immediately and put the money into a savings account until the Navy comes to collect it. They *will* collect it at some point. Never take anything you do not have coming to you.

There are three basic types of allowances:

- Housing
- Living expenses
- Moving or travel expenses

Basic Allowance for Housing (BAH): BAH is paid to those authorized to live off base. It is based on rental costs by pay grade, location and dependency status, and is designed to reflect comparable civilian housing costs for those with similar salary and location. BAH is designed to allow a standard quality of housing regardless of where you live in the United States. Members assigned suitable government quarters are not entitled to BAH. BAH offers two rates: one with



SLIDE 10



SLIDE 11

dependents and one without. BAH rates are published on the Defense Travel Management website: www.defensetravel.dod.mil/perdiem/bah.html.

BAH-DIFF: If you are paying court-mandated child support, you may be entitled to BAH-DIFF.

BAH PARTIAL: Paid to members without dependents who live in government quarters.

COLA: There is a cost of living allowance (COLA) for overseas and certain U.S. locations designed to offset the additional expenses of being assigned to a high-cost-of-living area.

MIHA: There is a move-in housing allowance (MIHA) for those overseas designed to assist with covering the costs of setting up a household.

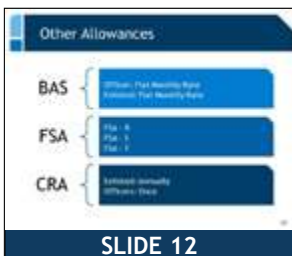
OHA: Overseas housing allowance (OHA) is paid to service members who live in private housing at their overseas duty station.

Trainer's note: For more information about Basic Allowance for Subsistence (BAS) and for the current year's rates, refer to <http://militarypay.defense.gov/PAY/ALLOWANCES/bas.aspx>.

BAS: Basic Allowance for Subsistence (BAS) helps to offset costs for your meals. It is paid to all active-duty personnel except those in boot camp or initial entry training. All enlisted service members are paid the full monthly rate, but those required to eat in the mess hall will have most of the allowance automatically withdrawn from pay to cover the cost of their meals (meal deduction). Officers collect BAS and then pay cash for meals, including those eaten in government dining facilities.

Trainer's note: For more information about Family Separation Allowance (FSA), refer to: <http://www.dfas.mil/militarymembers/payentitlements/fsa.html>.

FSA: Family Separation Allowance (FSA) provides compensation for added expenses incurred because of a forced family separation under certain conditions. FSA is payable in a monthly amount of \$250 (2015). To apply for FSA, you should submit a completed DD Form 1561, Statement to Substantiate Payment of Family Separation Allowance (FSA), to your servicing personnel office.



Trainer's note: For more information about clothing allowances and other living expenses, refer to: <http://www.dfas.mil/militarymembers/payentitlements/2016ClothingAllowance.html>.

CRA: Clothing replacement allowances (CRA) may be issued to help you pay for your uniforms. There are four main types of clothing allowance:

- **Initial Clothing Allowance:** Officers and enlisted members of the armed forces are entitled to an initial clothing allowance. Officers, however, are entitled to the allowance only once (with a few exceptions).
- **Cash Clothing Replacement Allowance:** This allowance is payable only to enlisted members annually following the initial clothing allowance on the anniversary month. This is for the replacement of uniforms based on normal wear and tear.
- **Extra Clothing Allowance:** This allowance is for situations in which service members may need additional uniforms or are required to have civilian clothing to perform their duties.
- **Military Clothing Maintenance Allowance:** This allowance is for replacement and maintenance of military items during and after three years of active duty. If service members have a break in service, they start over with the initial clothing allowance upon returning to the service. The Cash Clothing Replacement Allowance and Military Clothing Maintenance Allowance will be distributed as applicable.

Travel and Moving Allowances

Trainer's note: For current travel rates, refer to <http://www.defensetravel.dod.mil>.

Travel allowances: The government pays for expenses associated with orders requiring travel, usually after the travel is completed. A government-issued travel charge card is usually used while you are traveling and to obtain funds from an ATM.

Types of travel allowances:

- **Mileage/transportation:** Based on the distance traveled, where you have been ordered to go and how you were directed to travel.
- **Per diem:** Based on the normal costs for meals and other incidental expenses for each day during travel and at your destination.



- **Miscellaneous:** Baggage handling fees, tips and other authorized expenses associated with your travel. With travel orders, you can get advance payment of per diem and prepaid transportation tickets. You must fill out a travel claim of your expenses and any advance payments that you received.

Moving Allowances: Under permanent change of station (PCS) orders which require you to move, you are entitled to moving allowances to cover expenses such as:

- Shipment of personal goods.
- Temporary lodging.
- Vehicle mileage and highway tolls.
- Meals during the move.

PCS allowances: Provided for members who are moving their household. This includes:

- **Temporary Lodging Expenses (TLE):** Provides for the temporary cost of housing while in transition. It is payable for 10 days in CONUS and five days when going outside the continental United States (OCONUS).
- **Temporary Lodging Allowance (TLA):** Payable up to 60 days OCONUS.
- **Dislocation Allowance (DLA):** A partial allowance that varies by pay grade and dependency status. DLA is not an advance and does not have to be repaid.

Advance Pay

Service members are authorized certain advance pay when moving; however, it is necessary to apply for it. You can get up to three months of advance pay and you can receive up to three months' advance of BAH (CONUS) and 12 months' OHA (OCONUS) when moving into non-government housing.

ALLOTMENTS

The allotment of pay is provided to help you adjust your personal and family finances to military service. It is a convenience and a privilege not to be exploited or abused. Allotments are a defined portion of your pay and allowances and are authorized to be made payable to a qualified person or institution. Some allotments can have an indefinite time frame, while others can have a specified time frame. Some restrictions apply to allotments; see the DFAS website for details. Discretionary and non-discretionary are two types of allotments. The maximum amount that can be allotted is the total of all pay and allowances less standard withholdings (for example, federal and state taxes).



Discretionary allotments: For discretionary allotments, members specify the individual, institution or business to receive the allotment. No more than six discretionary allotments are allowed. Examples of discretionary allotments include:

- Payments of premiums for commercial life insurance on the member or the member's spouse or children.
- Voluntary payments to dependents or other relatives.
- Deposits to financial institutions, mutual fund companies or investments.
- Mortgage or rent.
- Car-loan payments.
- Payments to repay a loan from a loan or finance company.
- Deposits into the Savings Deposit Program (SDP).

Non-discretionary allotments: Non-discretionary allotments are made to a specifically designated agency or purpose. There is no limit to the number of nondiscretionary allotments a member can have. Non-discretionary allotments are limited to the following:

- Purchase of U.S. Savings Bonds.
- Relief repayments (i.e., Navy-Marine Corps Relief Society [NMCRS] and American Red Cross).
- Government indebtedness.
- Charitable contributions (i.e., Combined Federal Campaign [CFC] and NMCRS).
- Child and spousal support.
- Debts for non-discretionary allotments (i.e., payment of delinquent federal, state or local income or employment taxes; commercial debt; delinquent travel charge card debt).

DEDUCTIONS

Deductions are amounts that are taken out of your paycheck. Most deductions are automatic. There are four types of deductions:

Taxes: Includes state and federal income tax and Social Security and Medicare tax (FICA). Some service members do not have to pay state income tax, because some states do not have income tax and some states exempt residents serving in the armed forces. This is based on your home of record. Even though the military assigns you to a different state, you are allowed to maintain your original home of record, if you choose.



Insurance: Includes Servicemembers' Group Life Insurance (SGLI and FSGLI) and the dental health plan.

Garnishments: An involuntary deduction taken from your pay as a result of legal action against you. When a garnishment is ordered, the government is required to withhold money from your check to pay your debts.

Other pay withholding: You also can choose to have pay withheld from your check for things like educational assistance programs or the Thrift Savings Plan (TSP). You choose the amount to be deducted. This also is where you will see advance pay and BAH or OHA paybacks. Additional deductions include meal deduction and the monthly deduction for the Armed Forces Retirement Home (AFRH).

NON-CASH COMPENSATION

Trainer's note: For questions regarding SGLI and FSGLI, refer learners to the Department of Veterans Affairs (VA) at <http://www.va.gov/>. The VA also handles education benefits and survivor programs. For additional Thrift Savings Plan information, refer to <http://www.tsp.gov>. For further information on other benefits, refer to the Office of the Secretary of Defense Military Compensation website: <http://militarypay.defense.gov>.

There is more to your pay than just dollars showing up in your account each month. In fact, the military has one of the best compensation systems available from any employer in the United States. We are going to take a few moments to review other key compensation benefits.

SGLI AND FSGLI

Servicemembers' Group Life Insurance (SGLI) is a term insurance policy with coverage of up to \$400,000 per member. You can determine the amount of your coverage by checking your LES in the "deductions" section. If there is no deduction listed for SGLI, then you are not covered.

When you leave the service, SGLI coverage ends after 120 days, or it can be converted to another type of insurance.

Family Servicemembers' Group Life Insurance (FSGLI) is life insurance coverage for your whole family. Providing you are covered by SGLI, your children will be automatically covered at \$10,000 per child at no cost to you. Your spouse may be covered up to \$100,000 or the dollar amount of your coverage, whichever is less. The cost for this coverage varies by age.



Make sure that the beneficiary designated for your policy is accurate. Funds will be paid to your designated beneficiary, so be certain to update this information if you have a change in your family member status. A will does not affect the beneficiary of life insurance, nor does a Page 2. To make changes to your beneficiary information, you will need to complete Veterans Affairs Form SGLV-8286, Servicemembers' Group Life Insurance Election and Certificate.

Check with your PSD office for more information.

THRIFT SAVINGS PLAN

The Thrift Savings Plan (TSP) is a defined-contribution retirement plan available through the U.S. government. TSP is a long-term retirement savings and investment plan similar to 401(k) plans offered to private-sector employees. Participation is voluntary, but there are many advantages to contributing to TSP, including the pre-tax deduction. This means that you are lowering your overall tax bill while building your retirement fund.

MEDICAL AND DENTAL

Medical and dental coverage are provided at no cost to active-duty members and at varying costs to family members, depending upon the type of coverage selected.

EDUCATION

Depending upon your date of entry, you may be eligible for the Post-9/11 GI Bill, the Voluntary Education Assistance Plan (VEAP) or the Montgomery GI Bill (MGIB). These are programs in which you share in the cost of the benefit. There are also programs funded entirely by the government.

LEAVE

You earn 2.5 days of leave every month, for a total of 30 days per year. Depending on duty requirements, you also are provided leave on federal holidays. You may accrue up to 60 days' leave. Leave in excess of 60 days must be taken or lost by the start of the fiscal year (Oct. 1). You also may sell back up to 60 days of leave at the end of enlistment or separation. You may accrue more than 60 days of leave in any year in which you were deployed.

RETIREMENT

Normally, you must serve for 20 years to become eligible for retirement pay. The longer you serve, the more retirement pay you will receive. The percentage amount of your base pay varies depending upon the plan in effect at your date of entry.



LEARNER ACTIVITY: *Perks and Privileges*

Time: 10 minutes

Materials: Paper and writing instruments, chart paper and markers

Procedure: Explain to learners that every job has some type of benefits beyond your actual pay. The military has a great number of perks and privileges to their overall military compensation package. Ask learners to name as many non-cash types of compensation as they can. Write the learners' responses on chart paper or a whiteboard. Responses may include:

- Commissary and Exchange privileges.
- Chaplain and religious services.
- Legal services.
- Base gym and workout facilities.
- Morale, Welfare and Recreation services and programs.
- Fleet and Family Support Center educational programs and resources.
- The tax advantage resulting from the tax-free status of allowances.
- Medical care for members and dependents.
- Two retirement programs.
- Death gratuity payments.
- Dependency and indemnity compensation; survivor benefits.
- Life insurance plans.
- Professional education and training.
- Veteran's education assistance.
- Reimbursable items, including clothing allowances.

Ask learners how many of these perks and privileges they have used or are participating in. Explain that these are part of their military compensation, and encourage learners to take advantage of them.

MILITARY TAX ISSUES

Serving in the military has some big tax advantages: Allowances are not taxed, FICA is applied to base pay only and many members are exempt from paying state income taxes. These and other benefits can provide a significant tax advantage. Let us take a look at your taxes in more detail.



FICA DEDUCTIONS

Social Security taxes, or Federal Insurance Contributions Act (FICA) deductions, are withheld from all service members' basic pay. These deductions are separated into Social Security and Medicare contributions.

FEDERAL INCOME TAXES

Federal Income Tax Withholding (FITW) is based on all pays (not allowances and not just base pay, like FICA). The amount withheld is determined by how you filled out your W-4 form, available at your local disbursing office or on myPay. The federal income tax system is a pay-as-you-go system, meaning that as you earn your money, you must pay taxes on it.

Withholding: The goal of paying your federal taxes should be to pay your fair share and break even, so that when tax returns are due April 15, you do not owe, and are not owed, any money. Some people like to over-withhold so they get a big refund. That is an option if you do not have the discipline to save. Just realize that you are making an interest-free loan to the government, instead of having that money to use on a monthly basis to pay bills or invest. If you have the discipline, withhold only what you must, and save and invest the rest so you can earn a return on your money.

W-4 Form: Look at your LES, under the headings Fed Taxes/State Taxes, Marital Status (M/S) and Exemptions (EX) (sections G and I). This is for marital status and the number of exemptions you are claiming. Are they correct? Many service members forget to update this form and have taxes withheld at too high a rate. This is one of the most common problems financial counselors see, and it is the easiest way to get more money into your paycheck.

STATE INCOME TAXES

Your military compensation may be subject to state income tax withholding for the state you claim as your legal residence. Treat state taxes as you would federal taxes – do not pay any more than you must. If you are a resident of a state with an income tax, and the state does not exempt military pay, check your marital status and exemptions on your LES and keep the information current and correct as well.

The Servicemembers Civil Relief Act provides that a member of the armed forces who is a legal resident of one state but who lives in another solely by reason of military orders is not liable to the second state for income taxes on military income. However, non-military income from the second state is legally taxable by that state.

The following states do not presently have an income tax, but some of these states do have intangible personal property tax or tax only dividend and interest income:

- Alaska
- Florida
- Nevada
- New Hampshire*
- South Dakota
- Texas
- Tennessee*
- Washington
- Wyoming

*New Hampshire and Tennessee tax only dividend and interest income.

COMMON PAY PROBLEMS AND OPTIONS TO CORRECT THEM



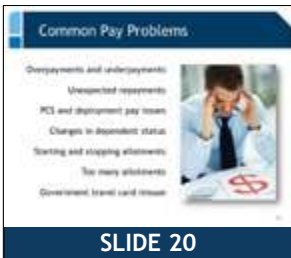
LEARNER ACTIVITY: *I Have a Problem!*

Time: 10 minutes

Materials: Paper and writing instruments, chart paper or whiteboard and markers

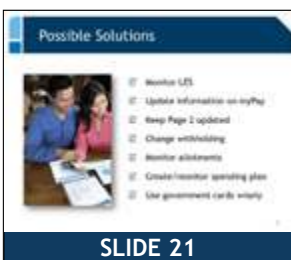
Preparation: You can choose for learners to work individually or in small groups. If you choose to work in groups, divide learners up at the beginning of the activity. Before the activity starts, put up the chart paper to write down common pay problems, or use a whiteboard.

Procedure: First, tell learners you would like them to tell you any pay problem they have experienced or that a friend has experienced. List these pay problems on your chart paper or whiteboard. Distribute paper and instruct learners that they are to suggest possible options to correct their list of pay problems. You can either assign pay problems to individuals or groups or let them provide the information they have on as many as they can. Review the pay problem list and ask learners to share their suggestions. Follow up with Slides 20 and 21 to fill in any problems or suggestions that learners may have missed.



Common Pay Problems:

- Overpayments and underpayments.
- Unexpected repayments (garnishments, overpayments).
- Pay problems related to PCS and deployments.
- Changes in dependent status (i.e., marriages, children, etc.), exemptions incorrect.
- Allotments not stopping or starting on time.
- Too many allotments being used at once.



Possible Solutions:

- Monitor LES monthly.
- Notify PSD immediately when there is a change in family status (i.e., marriage, birth, death, or divorce).
- Keep your Page 2 current, and update the information on myPay.
- Change income tax withholding (federal and state).
- Closely monitor allotment start and stop requests, and keep copies of everything.
- Closely monitor budget/spending plan.
- Do not use government credit cards for unauthorized expenses.

REPAYMENT OPTIONS

If you receive pay or allowances to which you are not entitled, the government will recoup the money. Ideally, you would be instructed to set aside any money received to which you are not entitled. In reality, however, the money is often spent, and when the government recoups the money, it becomes a financial hardship for the service member. You have limited options when a government indebtedness repayment will create a hardship.

Extend the repayment period: Contact disbursing or DFAS to arrange for a longer repayment period. You will need to explain your situation and may need command backup for the reasons why you need more time to pay.

Make payment arrangements: Again, contact DFAS or disbursing to see if an arrangement can be made that is more favorable to your financial situation.



Waiver of Indebtedness: This allows a bit of breathing room to sort out your finances. All pay and allowances return to their original amount for a period of time. This is a complicated form and must be approved by the command. This is not to be taken lightly. The indebtedness issue must be resolved, but this extra time can provide you with an opportunity to work out a repayment plan that is easier on your budget. You must act quickly to stop funds from being deducted from your pay.

SUMMARY

SOURCES OF HELP

There are many sources available to help you with your military benefits. In addition to the list of websites on your handout, you can get assistance from:

- Command Financial Specialist
- Fleet and Family Support Center
- Navy-Marine Corps Relief Society
- Personnel Support Detachment
- Volunteer Income Tax Assistance Program (VITA)
- Military OneSource

Remember that good financial planning starts with having adequate income. You can help yourself on the road to financial success by knowing what you are entitled to and by keeping track of your own pay and benefits information.



OPTIONAL LEARNER ACTIVITY: *Military Pay Check Review Game*

Trainer's note: See "Introduction to the Courses: PowerPoint Games" for information on how to conduct this review activity.

Question Bank for Military Pay Check Review Game

1. What are the seven summary sections of the LES?
 - Personal Information
 - Entitlements/Deductions/Allotments/Summary
 - Leave Summary
 - Tax Information Summary
 - Pay Data Summary
 - Thrift Savings Plan Summary
 - Remarks

2. In which section of your LES would you learn about changes to your pay, such as a new allotment that will be deducted?
 - Remarks
3. What two types of pay are taxable?
 - Base Pay
 - Special and Incentive Pays
4. What three things you can do on the myPay website? (Any three of the answers listed below would be correct.)
 - Review the LES
 - Change tax withholding
 - Manage allotments
 - Buy savings bonds
 - Enroll in the TSP
 - Change TSP contribution percentages
5. Who is the person responsible for the accuracy of pay information?
 - You are!
6. What are three non-taxable allowances for living expenses?
 - BAS
 - FSA
 - CRA
7. What are two types of pay and/or allowances which may be received in advance?
 - Base – 3 months
 - BAH – 3 months CONUS, 12 months OCONUS
8. What are four types of taxes shown on the LES?
 - Social Security
 - Medicare
 - Federal
 - State
9. What are three repayment options for debts owed to the government?
 - Extend repayment period
 - Make payment arrangements
 - Request a Waiver of Indebtedness

NOTE:

LES Match

Match the descriptions here with the correct LES section on the *Understanding Your LES* handout.

1. Where would you find your Federal Income Tax Withholding (FITW) status?
2. A clothing allowance would be listed in this section.
3. If you recently stopped an allotment, it would be shown here.
4. Your year-to-date TSP contributions would be shown here.
5. You would find your duty station ZIP code here.
6. A meal deduction would be listed in this section.
7. Where would you find your current leave balance?
8. An allotment to your bank savings account would be shown here.
9. Your end-of-month (EOM) pay amount will be listed here.
10. Your years of service will be listed in this section.

Understanding Your LES

The handout is published as a guide to inform you about your DFAS Leave and Earnings Statement (LES) and what it means to you. Each month, you will receive, or find on myLES, an LES showing entitlements, deductions and allotments. If, after reading this handout, you have any questions concerning your pay, check with your distributing office.

KEY TO SECTIONS

- 1 Shows the period covered by this LES. This LES will reflect any changes to your pay that the Defense Finance Accounting Service (DFAS) (J) has processed. There may have been other changes to entitlements, but due to mail or processing delays, they are not reflected on this LES. In most cases, these changes will be reflected on the next LES.
- 2 Displays all allotments for the period covered. Any allotments that were earned in previous months will be added to the entitlements or allowances.
- 3 Displays all deductions from pay for the period covered. Any retroactive deductions will be added to the deductions.

PFM Standardized Curriculum 2016

Military Compensation Checklist

Keep this list and check it frequently to ensure that you are successfully managing all of your military compensation components.

Check LES at least quarterly or when:

- You move to a new location.
- You go to a new duty station.
- You are promoted.
- You marry or divorce.
- You have children.

Check myPay (or PSD) when:

- You have pay questions.
- You need to arrange direct deposit.
- You need a copy of your LES.
- You want to change your tax filing status.
- You need to update or change allotment information.
- You want to join the TSP or need to change TSP information.
- You want to purchase savings bonds.
- You need to get a Travel Voucher Advice of Payment.
- You are assigned to or terminate government quarters.
- You have a change in dependency status (married, divorced, children).
- You are relocating.

Update your Page 2 when:

- You get to your first duty station.
- You are getting ready to deploy.
- You marry or divorce.
- You have children.

Update your SGLI and TSP beneficiaries when:

- You are getting ready to deploy.
- You marry or divorce.
- You have children.

Talk with your CFS when:

- You check in to a new command.
- You need to establish credit or have too much debt.
- You want to buy a new car.
- You are moving off base.
- You need to complete or update your spending plan.

Check your credit report annually

(www.annualcreditreport.com), or when:

- You suspect identity theft.
- You are applying for credit.
- You are applying for life insurance.
- You are applying for a new job.
- You are buying or renting a home or apartment.

Calculate your military compensation when:

- You have a pay change.
- You are transitioning out of the service.

Attend TAP class when you start to think about leaving the service.

Attend financial classes when:

- You are moving off base or buying a home.
- You are buying a vehicle, life insurance or making any other large purchase.
- You want to build wealth.
- You need to control debt.
- You want to save for retirement.
- You need to budget your money.
- You want to join the TSP.
- You want to teach your kids about money.
- You or someone you know gambles too much.

Keep this contact information updated throughout your career.

- CFS:
- PSD:
- FFSC:

More Information:

<https://mypay.dfas.mil> (myPay website)

<http://militarypay.defense.gov> (OSD Compensation Calculator)

<http://www.cnic.navy.mil> (Fleet and Family Support Center)

<http://www.defensetravel.dod.mil/perdiem/bah.html> (BAH Rates)

<http://www.tsp.gov> (Thrift Savings Plan)

<http://www.insurance.va.gov/miscellaneous> (Veterans Affairs Life Insurance)

<http://www.dfas.mil/militarymembers/payentitlements/military-pay-charts.html> (DFAS website for pay tables)

The Military Pay Check

1. What are the seven summary sections of the LES?
2. In which section of your LES would you learn about changes to your pay, such as a new allotment that will be deducted?
3. What are two types of pay that are taxable?
4. What are three things you can do on myPay website?
5. Who is the person responsible for the accuracy of pay information?
6. What are three non-taxable allowances for living expenses?
7. What are two types of pay and/or allowances which may be received in advance?
8. What are four types of taxes shown on the LES?
9. What are three repayment options for debts owed to the government?



Understanding Your LES

This handout is published as a guide to inform you about your DFAS Leave and Earnings Statement (LES) and what it means to you. Each month, you will receive, or find on myPay, an LES showing entitlements, deductions and allotments. If, after reading this handout, you have any questions concerning your pay, check with your disbursing office.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																	
ID	NAME (Last, First, MI)			SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED						
ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY								
	Type	Amount		Type	Amount		Type	Amount	+ Amt Fwd								
A	BASE PAY			FEDERAL TAXES			DISCRETIONARY ALT		+ Tot Ent								
B	BAH			FICA-SOC SECURITY			DISCRETIONARY ALT		- Tot Ded								
C	CSP			FICA-MEDICARE			AFAF ALLOT		- Tot Almt								
D	BAS			SGLI FOR 250,000			TRICARE DENTAL		= Net Amt								
E	CRA			AFRH					- Cr Fwd								
F				MEAL DEDUCTION					= EOM Pay								
G				MID-MONTH-PAY													
H																	
I																	
J																	
K																	
L																	
M																	
N																	
O	TOTAL	5463.97		3103.35		240.29		DIEMS			RETPLAN						
F	LEAVE	BF Bal	Ernd	Used	Cr Bal	ETS Bal	LV Lost	LvPd	Use/Lose	FED TAXES	Wage Period	Wage YTD	M/S	Ex	Add Tax	Tax YTD	
H	FICA TAXES	Wage Period	Soc Wage YTD	Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE	St	Wage Period	Wage YTD	M/S	Ex	Tax YTD				
J	PAY DATA	BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2d JFTR	BAS Type	Charity YTD	TPC	PACIDN			
K	THRIFT SAVINGS PLAN (TSP)	Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Rate	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current	TSP YTD Deductions		Deferred	Exempt				
L	REMARKS:	YTD ENTITLEMENTS:		YTD Deductions:													
		BAH BASED ON		SEA DUTY TIME													
		BANK NAME		ACCOUNT #													

DFAS Form 702, Jan 02

KEY TO SECTIONS

- A** Shows the period covered by this LES. This LES will reflect any changes to your pay that the Defense Finance and Accounting Service-Cleveland (DFAS-CL) has processed. There may have been other changes to entitlements, but due to mail or processing delays, they are not reflected on this LES. In most cases, these changes will be reflected on the next LES.
- B** Displays all entitlements for the period covered. Any entitlements that were earned in previous months will be added to like entitlements or allowances.
- C** Displays all deductions from pay for the period covered. Any retroactive deductions will be added to like deductions.

D Displays all allotments deducted from pay for the period covered.

E Summarizes entitlements, deductions and allotments to provide the actual amount of money to be paid to the member on payday. Amount shown is the amount to be paid on the end-of-the-month payday.

“DIEMS” is the date you signed up for military service.

“RETPLAN” is the retirement plan under which you entered service.

F Provides the current status of your leave account.

“BF Bal” (brought forward leave balance) shows the number of days’ leave carried forward from the previous fiscal year ending Sept. 30.

“Ernd” is the cumulative amount of leave earned this fiscal year or current term of enlistment if the service member reenlisted/extended since the beginning of the fiscal year.

“Used” is the cumulative amount of leave used this fiscal year.

“Cr Fwd” is the current leave balance as of the end of the period covered by the LES.

“ETS Bal” shows the projected leave balance to the Expiration Term of Service (ETS).

“Lv Pd” periodically will display any leave sold back to the Navy.

“Use/Lose” is the projected number of days of leave that will be lost if not taken in the current fiscal year.

G Shows current federal tax information.

H Shows FICA information (Social Security tax plus Medicare tax).

I Shows current state tax information, including marital status and number of exemptions.

J Provides information for local disbursing use.

K Provides information on TSP contributions for the current year.

“Rate” boxes indicate the percentage of pay elected for contribution.

“Current” boxes indicate the contribution for this pay period.

L Provides information about changes in allotments, deductions or entitlements. Indicates career sea service counter.

USEFUL WEBSITES:

www.militaryonesource.mil

www.dfas.mil/militarymembers.html

<http://militarypay.defense.gov>

REMEMBER

Your pay is your responsibility. Verify and keep your LES each month. If your pay varies significantly and you do not understand why, visit your Disbursing Office or <http://mypay.dfas.mil/mypay.aspx>.