



OFFICE OF
**FINANCIAL
READINESS**

Military Pay

Instructor Guide

(Updated June 2025)

Lesson: *Military Pay*

This course is expected to take approximately 60 to 70 minutes to teach. Through a series of PowerPoint slides, the learners are presented with information about military compensation to include the pay statement (Leave and Earning Statement or Payslip), military pay and allowances, common allotments and deductions, tax considerations, common pay issues, and problem resolution methods. It will also cover how participants can better monitor their military pay, understand its impact on personal finances, and verify and correct common pay issues.

Learning Objectives

At the conclusion of this course, learners should be able to:

- Discuss how to manage pay information across their career to maintain financial readiness.
- Discuss the various components of military pay and events which affect changes in military pay.
- Identify other military benefits beyond pay and allowances.
- Explain federal and state tax considerations.
- Recognize common pay problems and solutions to correct them.

Learning Activities

This lesson contains the following activities:

- Pay Management Matters Discussion
- Understanding Your Pay Statement

Content Outline

1. Welcome and Introduction (5 minutes)
 - Welcome
 - Facilitator Introduction
 - Agenda
2. Managing Military Pay (10 minutes)
 - Activity: Pay Management Matters

- Accessing your military pay statement
 - Pay system overview
 - Understanding your pay statement
3. Military Pay (10 minutes)
- Types of pay
 - Basic pay
 - Special and incentive pays
 - Allowances
 - Housing and living allowances
 - Moving and travel allowances
 - Advance Pay
 - Allotments and deductions
4. Military Benefits (10 minutes)
- Servicemembers' Group Life Insurance and Family Servicemembers' Group Life Insurance
 - Thrift Savings Plan
 - Survivor Benefit Plan
 - Medical and dental coverage
 - Education benefits
 - Leave
 - Retirement benefits
 - Continued benefits for retirees
5. Tax Considerations (10-15 minutes)
- Types of taxes
 - FICA
 - Federal
 - State
 - Withholding
6. Common Pay Problems and How to Correct Them (10 minutes)
- Identification of common problems
 - Prevention and resolution of common problems
 - Repayment options
7. Resources (5 minutes)
- Websites
 - Additional support and assistance
8. Conclusion (5 minutes)

- Summary and Review
- Questions

Training Materials

- *Military Pay* Instructor Guide
- *Military Pay* PowerPoint Presentation
- *Understanding Your Pay Statement* Handout

Using This Instructor Guide

Presenter preparation is the most important part of delivering information. Make sure to familiarize yourself with the content of the lesson so that you can effectively discuss each key point during the training session. Review the material and practice delivering the content ahead of time to feel comfortable covering the material in your own words.

To use this Instructor Guide, review its various parts and components below.

The **Discussion Points** section contains the key points you must present in the training. The information should be presented in the order provided. Use the discussion points as a lesson outline. Avoid reading it word-for-word.

An **Instructor Note** provides guidance for the instructor in presenting the discussion points. This section also includes specific instructions on using the media, activities for learners, and references to any other documents or content.



This symbol indicates a handout is associated with the content.



This symbol indicates a discussion activity is associated with the content.

Course Preparation

Being prepared for training promotes organization, projects a positive image, and reduces stress. To ensure you are prepared, review the following:

- *Military Pay* PowerPoint Presentation
- References:
 - DoD Instruction 1322.34, *Financial Readiness of Service Members*
 - DoD Instruction 1342.22, *Military Family Readiness*
- Resources:
 - myPay - <https://mypay.dfas.mil/>
 - Direct Access - <https://hcm.direct-access.uscg.mil/>
 - Basic Pay Table - <https://militarypay.defense.gov/Pay/Basic-Pay/Active-Duty-Pay/>
 - Servicemembers' Group Life Insurance - <https://www.va.gov/life-insurance/options-eligibility/sgli/>
 - The DoD Office of Financial Readiness (FINRED) - <https://finred.usalearning.gov/>
 - Volunteer Income Tax Assistance (VITA) Program - <https://www.militaryonesource.mil/benefits/volunteer-income-tax-assistance-program/>
 - MilTax - <https://www.militaryonesource.mil/financial-legal/taxes/miltax-military-tax-services/>

Instructor Note: The handouts contain additional information and resources. A digital version may be provided to learners via email before or after the course; printed copies are not required.



Ensure you are familiar with resources available in the area. Be prepared to share that information with the learners.

Personalize your lesson. Use the white space on the left side of the page to add your own notes and prompts for discussions.

You can fill it with:

- Subject matter
- Detailed/technical information
- Instructional strategies and methods
- Personal experiences
- Examples and analogies

Discussion Points



Slide 1

1. Welcome and Introduction

Instructor Note: Display slide 1 and welcome learners to the *Military Pay* lesson.

Say: Welcome to today's lesson on military pay. The purpose of today's course is to help you manage your military compensation. We'll focus on the components of your pay statement and how to access it via your pay system. But first, let's take a step back and think about why it's important to understand and manage your pay.

Gain learner attention and interest:

- Share a short story about the lesson's topic.
- Share a surprising fact about the lesson's topic.
- Ask learners to write down one thing they hope to learn from attending the training today.

Facilitator Introduction

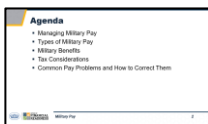
Introduce yourself by providing:

- Your name

- Your experience with the lesson topic, financial counseling experience, and/or professional/educational background

Instructor Note: Read the disclaimer to the group.

Disclaimer: *The information presented in this lesson does not constitute legal, tax, investment, financial, or other advice. This lesson is intended as an informational resource to assist you in identifying or exploring resources and options for managing your personal financial situation.*



Slide 2

2. Agenda

Instructor Note: Display slide 2. Briefly introduce the lesson topics.

Say: In this lesson, we will cover the following topics:

- Managing Military Pay
- Types of Military Pay
- Military Benefits
- Tax Considerations
- Common Pay Problems and How to Correct Them



Slide 3



3. Activity – Pay Management Matters

Instructor Note: Display slide 3.

Activity: Ask learners to raise their hands if they've experienced any of the following in the last six months, or they expect one or more of these events in the next six months:

- Move or PCS
- Marriage, divorce, or welcoming a new child
- Promotion or job change
- Deployment or sent on temporary orders (TDY)

Say: As you can see by the show of hands, these are common experiences in the military. The purpose of this course is to help you understand military compensation and how these events can impact your personal financial life. All the events listed



Slide 4

above can have an impact on your pay, so it is important that you anticipate potential changes and adjust so you can meet your financial goals.

4. Accessing Your Pay Statement

Instructor Note: Display slide 4. Ask participants how often they review their pay statements. Members of the Army, Air Force, Navy, Marine Corps, and Space Force access their statement (Leave and Earning Statement or LES) at <https://mypay.dfas.mil/>. Coast Guard members access their statement (Payslip) via Direct Access at <https://hcm.direct-access.uscg.mil/>. Display the website(s) that apply to your learners if internet service is available.

Say: It is up to you to make sure your pay information is correct. Ensure you're keeping these thoughts in mind:

- Know your entitlements – Educate yourself on what pays you should be receiving. Reach out and ask questions if you need more information.
- Understand current law and policy – Military pay is governed by many laws, policies, and instructions that change frequently. Make sure your personal information is complete and up to date to ensure you are being paid correctly for your situation.
- Life circumstances change – Remember the exercise from the beginning of the course? Life events like getting married or divorced, having a child, a deployment or TDY, getting promoted, and a PCS can lead to pay fluctuations. Understand how these events will impact your pay and manage your financial life accordingly.
- Maintain readiness – When you are prepared for changes in pay, you can adapt your needs accordingly.
- Stay on track with your goals – Managing your pay statements helps you make sure you're receiving the pay and benefits you're entitled to and keeps you on track with your financial goals.

Make it a habit to review your statement every time you get paid. Mistakes can happen and if you get paid too much, it's not

a gift. **You'll have to pay it back.** We're going to cover the specific components of military pay you need to know about in the next part of this course.



Slide 5

5. Pay System Overview

Instructor Note: Display slide 5. Ask participants to share their branch of service. Most Service members are covered under the Defense Finance and Accounting Service (DFAS) and monitor their pay through myPay. Members of the Coast Guard access their pay information through Direct Access. Refer members to their pay system's FAQ.

Say: Depending on your branch of service, you will access your pay information via myPay for DoD, or Direct Access for Coast Guard. MyPay and Direct Access are automated systems that helps you manage your money. You can:

- Access your pay statements (Leave and Earnings Statement or Payslip) and tax forms
- Change federal and state income tax withholding
- Update direct deposit information
- Manage allotments
- Enroll and manage contributions to the Thrift Savings Plan (TSP)
- Update personal information including address and dependency status

Direct Deposit System and Pay Frequency

Your pay is sent via electronic funds transfer to your designated financial institution via the Direct Deposit System (DDS). It is your responsibility to ensure that the account is open and in good standing.

Active-duty Service members are paid on the 15th and the last day of each month. If either date falls on a holiday or weekend, you'll receive your pay on the preceding workday.

For additional assistance, contact your pay system online or by phone via the information listed below.

- DoD – DFAS
 - Online: <https://mypay.dfas.mil/> then select “FAQ”
 - Phone: 1-888-332-7411, option 5
- Coast Guard Pay and Personnel Center – Direct Access
 - Online: <https://www.dcms.uscg.mil/ppc/pd/da/>
 - Phone: 1-866-772-8724
 - PPC-DG-CustomerCare@uscg.mil



Slide 6



6. Understanding Your Pay Statement

Instructor Note: Display slide 6. Ask participants to look at their own pay statement if they brought it and review each section. If they did not bring it, encourage participants to access their pay statement via their mobile device or follow along with the Understanding Your Pay Statement handout. The handout includes Leave and Earning Statement (LES) and Payslip examples.

Say: Your pay statement is a summary that shows all pay changes and information for the month including entitlements, which are pays and allowances, allotments, deductions, and pay-related remarks. It is your responsibility to review and verify your information each month. If your pay varies and you don't understand why, reach out to your installation finance office or your pay system directly.

Your pay statement includes the following sections:

Personal information: Contains information that identifies you including your full name, last four digits of your Social Security number, pay grade, pay base date, years of service and Expiration Term of Service (ETS).

Entitlements/Deductions/Allotments/Summary: This section 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 Retirement Plan (RET PLAN) Box.

Tax Summary: This is the tax summary paid for the period and the year. It shows the number of exemptions you claim for tax withholding. It is a good idea to keep your December pay statement as a backup for other IRS documents (like a W-2) to use when preparing income taxes. It is also important to ensure the Marital Status (M/S) block and number of exemptions (Ex) block are correct. Many military members enter the service using a designation of S 00 (single claiming zero) and may consider adjusting this once they marry or have children. Adjusting your exemption status can affect the amount of pay you receive. At PCS, some Service members may consider changing state residency, which can affect income tax withholding. Review DD Form 2058 and speak to a tax professional for more information.

Pay Data: This section includes 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 of rent you pay if living off-installation, and unit identification number. Verify the ZIP code to ensure that you are receiving the proper BAH for the area in which you are living.



Slide 7

7. Understanding Your Pay Statement (cont.)

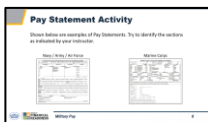
Instructor Note: Display slide 7 and continue with the review of the different pay statement sections.

Thrift Savings Plan Summary: These boxes cover information on Traditional and Roth TSP contributions, including your contributions plus automatic and matching contributions from your agency. The rate boxes show the percentage of pay

specified for contribution. The current boxes show the amount contributed to TSP this pay period while the YTD shows the amount for the year. You can also review your TSP account at www.tsp.gov or on the TSP mobile app.

Leave Summary: This includes 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 due to 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.

Remarks: This section includes notes from your pay system 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. It is important to review this section every time you get paid because it will notify you of any upcoming changes to your pay.



Slide 8



8. Pay Statement Activity

Instructor Note: Display slide 8 with the interactive activity on screen. First, click on the left image to display an enlarged Navy/Army/Air Force earning statement. One at a time, ask the participants to identify the location of each of the sections listed below. As each one is identified, or if the participants aren't able to identify a section, click on the image once to display a highlighted box around the section. Review the sections in the following order:

1. End-of-Month Pay
2. Entitlements
3. Federal Tax Withholding Status
4. Allotments
5. Year to Date (YTD) TSP Contributions
6. Duty Station ZIP Code
7. Years of Service
8. Deductions



9. Current Leave Balance

Click on the red X in the top right corner of the last example to return to the main slide.

On the main slide, click on the right image to display an enlarged Marine Corps earning statement. Follow the same steps as before. Review the sections in the following order:

1. Forecasted Pay
2. Remarks
3. Federal Withholding Status
4. TSP Contributions YTD
5. Duty Station ZIP Code
6. Years of Service
7. Deductions
8. Current Leave Balance



Slide 9

9. Types of Pay

Instructor Note: Display slide 9. You may display the most recent Basic Pay Table as an example.

Say: There are three main types of pay: basic pay, special and incentive pays, and allowances.

- **Basic Pay:** This type of pay is the fundamental component of military pay. It is taxable and is determined by rank and years of service, and usually makes up the largest portion of a Service member's pay. The most up-to-date active-duty basic pay tables can be found at <https://militarypay.defense.gov/Pay/Basic-Pay/Active-Duty-Pay/>.
- **Special and Incentive Pays:** These pays are given to qualified Service members who have unique or specific skills, or have key occupation specialties. They can include Special Recognition, Skill Incentive, and Critical Skill and Reenlistment Bonuses and can be based on an annual lump-sum bonus, monthly pay, or pay when the duty is performed. Special and incentive pays may also be determined by location or duty status. Common examples include Hardship Duty Pay (HDP), Hostile Fire



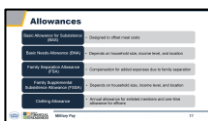
Slide 10

10. Housing Allowances

Instructor Note: Display slide 10.

Say: **Basic Allowance for Housing (BAH)** is intended to offset the cost of housing when you do not receive government-provided housing. It is based on pay grade, location, and dependency status. BAH rates are set by surveying the cost of rental properties in each geographic location. There are different types of BAH including:

- **Partial BAH** which is paid to Service members without dependents who live on base in government quarters.
- **BAH-DIFF** which you are entitled to if you're paying court-mandated child support.
- **Cost of Living Allowance (COLA)** is paid in certain U.S. and overseas locations to offset expenses due to being assigned to a high cost of living area. It is based on inflation and exchange rates.
- **Overseas Housing Allowance (OHA)** is for Service members who live in private housing at their overseas duty station.



Slide 11

11. Allowances

Instructor Note: Display slide 11.

Say: There are several allowances that are designed to help cover specific needs, like food and housing. Let's cover a few of the most common ones.



- **Basic Allowance for Subsistence (BAS)** is designed to offset costs for meals. It is paid to all active-duty personnel except those serving in 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, including those eaten in government dining facilities.
- **Basic Needs Allowance (BNA)** is based on several factors including gross household income, duty location, and household size with the goal of promoting economic security for military families who may encounter financial hardships. Eligibility requirements apply. Service members are encouraged to get additional guidance and support on the application process from installation personal financial managers or counselors.
- **Family Separation Allowance (FSA)** provides compensation, under certain circumstances, to offset a reasonable amount of extra expenses incurred due to involuntary separation from dependents. It is important to know that FSA can be either “Unaccompanied” or “Separated” depending on circumstances, and Service members must submit DD Form 1561 (Statement to Substantiate Payment of Family Separation Allowance) to verify entitlement.
- **Family Supplemental Subsistence Allowance (FSSA)** depends on household size and income level. It is available to those serving outside the United States, Puerto Rico, the U.S. Virgin Islands, or Guam. Reach out to your family support center, command, or community services financial management counselors for additional information. Service members can apply via DD Form 2857 (FSSA Application).
- **Clothing Allowance** is a uniform/clothing allowance that is paid to enlisted members annually. Officers receive it once upon entry into the service. Services may provide this allowance in other circumstances as needed.



Slide 12

12. Moving and Travel Allowances

Instructor Note: Display slide 12.

Say: The government pays for expenses associated with orders that require travel, usually after the travel is completed. This can include travel for a temporary duty assignment or permanent change of station (PCS). Types of travel allowances include:

- **Mileage and Monetary Allowance in Lieu of Transportation (MALT)** which is not intended to reimburse all the costs of operating a vehicle. It is based on the official distance between authorized locations and covers authorized travelers in the vehicle.
- **Per Diem** which is intended to cover lodging, meal, and incidental costs while on official government travel.

Allowances related specifically to a PCS include:

- **Dislocation Allowance (DLA)**. It is intended to partially reimburse expenses incurred during a permanent change of station (PCS) and the amount depends on several factors including pay grade and dependency status.
- **Temporary Lodging Expense (TLE)** which provides partial reimbursement of lodging and meal expenses while staying in temporary lodging inside the continental United States (CONUS).
- **Temporary Lodging Allowance (TLA)** which is intended to partially pay for higher than normal expenses incurred while staying in temporary lodging outside the continental United States (OCONUS).



Slide 13

13. Advance Pay

Instructor Note: Display slide 13.

Say: Advance pay is not an allowance but can be authorized if needed when moving.

- **Advance Basic Pay** may be authorized for up to three months' pay and is subject to command approval. Service members are required to submit an application.
- **Advance BAH** is intended to help offset the costs of moving into off-base housing. Service members can receive up to three months in CONUS and 12 months in OCONUS when moving into nongovernment housing. It is subject to command approval.
- **Be aware of the risks.** Remember that advance pay is like an interest-free loan that must be repaid and it can present financial risks to your long-term financial plan. Basic pay advances are paid back over a 12-month period, beginning one month after it is drawn. In some cases, repayment can be extended to 24 months. Repayments are automatically deducted from your paycheck so make sure your budget and spending reflect your current income and expenses.



Slide 14

14. Allotments

Instructor Note: Display slide 14.

Say: An allotment allows you to have money taken directly out of your pay and sent to a designated person or account. It can be a convenient way to pay bills, make charitable contributions, and manage your money. Allotments can have an indefinite or specific timeframe. You can start and stop allotments by filling out a form at your installation finance office or online by logging in to your pay system. There are two types, discretionary and nondiscretionary.

- **Discretionary allotments** are designated by the Service member to a specified individual, institution, or business for payment of recurring bills or for savings. No more than six are permitted at any given time. However, they are prohibited to purchase, lease, or rent personal property. Permitted discretionary allotments include:
 - Dependent payments
 - Insurance premiums

- Mortgage or rent payments
- Loan repayments
- Savings
- **Nondiscretionary allotments** can be made to a specifically designated agency or purpose and are not limited to a defined quantity. Nondiscretionary allotments are limited to the following:
 - U.S. Savings Bonds with a TreasuryDirect.gov account
 - Relief loan payments to military relief societies like Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force Aid Society, or Coast Guard Mutual Aid
 - Government loans
 - Charitable contributions to the Combined Federal Campaign
 - Privatized housing payments
 - Child and spousal support
 - Delinquent taxes



Slide 15

15. Deductions

Instructor Note: Display slide 15.

Say: Deductions are amounts that come out of your paycheck, most of which are automatic. There are four types:

- **Taxes** – This includes state and federal income tax, and Social Security and Medicare tax, known as FICA. Some states do not have income tax and some states exempt residents serving in the armed forces based on their home of record. Service members may choose to change their state of legal residency (which may be different from their home of record) provided they meet the requirements of the new state. Review DD Form 2058 and contact your pay office for additional information.
- **Insurance** – Insurance deductions include premium costs for Servicemembers' Group Life Insurance (SGLI), Family Servicemembers' Group Life Insurance (FSGLI), and the dental health plan.



Slide 16

- **Garnishments** – This is an involuntary deduction taken from your pay due to legal action against you. When a garnishment is ordered, the government is required to withhold money from your paycheck to pay your debts.
- **Other pay withholding** – You can choose to have pay withheld for things like educational assistance programs or the Thrift Savings Plan (TSP) in your desired amount. This is also where you will see advance pay, BAH, or OHA repayments.

16. Military Benefits

Instructor Note: Display slide 16. Ask participants to share some of the noncash benefits they receive as Service members.

Say: There is much more to your military compensation than your take-home pay. Next, we'll cover key programs and benefits that are part of your compensation benefits.

- **SGLI and FSGLI** – Servicemembers' Group Life Insurance (SGLI) is a term insurance policy with coverage of up to \$500,000 per member. Coverage is available in \$50,000 increments. You can determine the amount of your coverage by checking the deductions or remarks section of your pay statement. If there is no deduction listed for SGLI, you are not covered. When you leave the service, SGLI coverage ends after 120 days. You can apply for Veterans' Group Life Insurance (VGLI) within one year and 120 days from your discharge for up to the amount of coverage you had through SGLI. Visit <https://www.va.gov/life-insurance/options-eligibility/sgli/> for more information.

Family Servicemembers' Group Life Insurance (FSGLI) is term 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.



Coverage for spouses is not automatic and the cost varies by age.

Make sure your beneficiary designations for SGLI and FSGLI are accurate. Update your life insurance beneficiaries if you've had a change in your family member status. A will or Record of Emergency Data (RED) is superseded by your SGLI beneficiary designation.

- **Thrift Savings Plan (TSP)** – The TSP is a defined-contribution retirement plan available through the U.S. government. It is a long-term retirement savings and investment plan, like a 401(k) plan offered to private-sector employees. Program benefits depend on which military retirement plan you are covered under, the Legacy or Blended Retirement System (BRS). Both systems provide tax benefits to encourage saving for retirement. Those covered under the BRS are eligible for automatic and matching contributions from their branch of service.
- **Survivor Benefit Plan (SBP)** – No-cost automatic coverage is provided to those on active duty, and reserve component members who die of a service-connected cause while performing inactive duty training. SBP provides up to 55% of estimated retired pay to an eligible beneficiary upon the Service member's death. Upon retirement, Service members can purchase coverage of up to 55% of retired pay with premium payments coming directly from pretax retired pay.
- **Medical and Dental** – Coverage is provided at no cost to active-duty Service members and at varying costs to family members depending upon the type of coverage selected. This coverage is not automatic, you must enroll your eligible dependents.
- **Education** – Your branch of service, the Department of Defense (DOD), and the Department of Veterans Affairs (VA) recognize the importance of education and offer a variety of programs to help Service members in this area.

Programs and benefits include apprenticeship and credentialing programs like the United Services Military Apprenticeship Program (USMAP), tuition assistance, GI Bills (Montgomery and Post-9/11), and in-state tuition for veterans. Eligibility, service requirements, and time limits vary depending on the program.

- **Leave** – You earn 2.5 days of leave per month for a total of 30 days per year. Depending on duty assignments, you are also provided leave on federal holidays. In most cases, you can carry over a maximum of 60 days from one fiscal year to the next and are permitted to sell back a maximum of 60 days at the end of enlistment or when you separate from the military.
- **Retirement** – Retirement benefits are available under the Legacy system and the BRS. These programs are covered in greater detail in the Wealth Building and Retirement Planning course.
 - **Legacy** – Those covered under the Legacy system must serve a minimum of 20 years to receive a pension benefit based on basic pay and years of service.
 - **BRS** – Service members who joined the military on or after Jan. 1, 2018 are covered under the BRS. A smaller pension benefit is available after 20 years of service, plus automatic and matching TSP contributions, continuation pay, and a lump-sum option at retirement.

Military retirees and veterans with qualifying disabilities continue to receive commissary and exchange privileges, and health insurance.



Slide 17

17. Military Tax Considerations

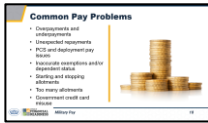
Instructor Note: Display slide 17.

Say: Serving in the military includes some notable tax benefits. Many allowances are not taxed, FICA is applied to basic pay

only, and members may be exempt from paying state income taxes. The Servicemembers Civil Relief Act (SCRA) provides that a member of the military who is a legal resident of one state, but living in another due to military orders, is not liable to the second state for income taxes on his or her military income. However, if you receive nonmilitary income from the second state, you must pay state income taxes on that income. These and other benefits can provide a significant tax advantage. Let's review in further detail.

- **FICA taxes** – FICA stands for Federal Insurance Contributions Act and covers Social Security and Medicare taxes withheld from all Service members' basic pay.
- **Federal taxes** – Federal income tax withholding (FITW) is based on all pays; most allowances are exempt. FICA taxes are withheld from basic pay only. The amount withheld is determined by how you complete your IRS Form W-4, available at your installation disbursing office or pay system like myPay or Direct Access. The federal income tax system is a pay-as-you-go system, meaning as you earn your money, you must pay taxes on it.
- **State taxes** – Your military compensation may be subject to state income tax withholding (SITW) for the state you claim as your legal residence. Be aware there may be a difference between your state of legal residence and your home of record.
- **Withholding** – The amount of federal and state (if applicable) income taxes you must pay is defined by law. Tax returns are due on April 15th, however the due date can vary so check federal and state guidelines. Some people may withhold more than necessary and receive a tax refund. Others may not withhold enough and will be required to pay taxes by the filing deadline. It is key to review your pay statement and make sure your marital status and number of exemptions is accurate for your situation. You can update your withholding in myPay, your pay system, or via IRS Form W-4.
- **Volunteer Income Tax Assistance (VITA) Program** – Taxes can be complicated. The good news is that you do not have to figure it out on your own. VITA provides free





Slide 18

tax consultation and preparation services for Service members by trained tax professionals who understand military-specific issues.

18. Common Pay Problems

Instructor Note: Display slide 18.

Say: Pay problems can happen when least expected. The good news is that there are steps you can take to fix them. The sooner a pay problem is identified, the better. Review your pay statement each month and get in touch with your installation finance office right away if you see an error. Here are a few common problems to look out for:

- Overpayments and underpayments
- Unexpected repayments
- PCS and deployment pay issues
- Inaccurate exemptions
- Inaccurate dependent status
- Starting and stopping allotments
- Too many allotments
- Government credit card misuse



Slide 19

19. Potential Pay Solutions

Instructor Note: Display slide 19.

Say: Now that you know what to watch out for, here are some ways to prevent and resolve common pay problems.

- Monitor your pay statement. Make it a habit to review your pay statement every time you get paid.
- Notify your installation finance office immediately when there is a change in family status meaning a marriage, birth, divorce, or death. Keep your Record of Emergency Data up to date and monitor your information in your pay system.
- Carefully monitor allotment start and stop requests and keep copies of associated paperwork for each allotment.



Slide 20

- Follow your spending plan and track your income and expenses. Now is a great time to get started if you don't have one set up.
- Use your government travel charge card (GTCC) for authorized expenses only.

20. Repayment Options

Instructor Note: Display slide 20.

Say: If you find yourself in a situation where you received pay or entitlements in error, the government is going to get it back. By knowing what you're entitled to and keeping track of your pay and benefits information, you can set aside any money you received that you should not have. However, Service members may not catch these errors right away. This can cause financial hardship when the government recoups the money. Let's discuss a few options that may help ease the burden.

- Extend the repayment period. Contact your finance office or pay system (myPay or Direct Access) to arrange for a longer repayment period. Explain your situation and be prepared to provide command support to justify why you need more time for repayment.
- Make payment arrangements. Contact your pay system to see if an arrangement can be made that is better aligned with your financial situation.
- Submit a waiver of indebtedness. This can provide some breathing room to sort out your finances. In this scenario, all pays and allowances return to their original amount for a period of time. This is not an option to be taken lightly; it is a complicated form and must be approved by your command. The indebtedness issue must be resolved, however this extra time can provide you with an opportunity to work out a repayment plan that is easier on your budget.

Meet with your finance office or command to complete a request for repayment options.



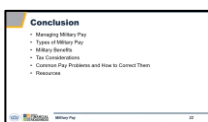
Slide 21

21. Sources of Help

Instructor Note: Display slide 21. Familiarize yourself with the resources available at the websites listed below.

Say: There are many resources available to help you understand your military pay and benefits including the following websites and local support.

- Websites:
 - The Office of Financial Readiness (FINRED)
<https://finred.usalearning.gov/>
 - Volunteer Income Tax Assistance (VITA) Program
<https://www.militaryonesource.mil/benefits/volunteer-income-tax-assistance-program/>
 - MilTax
<https://www.militaryonesource.mil/financial-legal/taxes/miltax-military-tax-services/>
 - CGSUPRT
[CGSUPRT.com](https://www.cgsuprt.com/)
- Additional support and assistance:
 - Personal Financial Managers, Personal Financial Counselors, or Financial Readiness Program Specialists at your local military and family support center
 - Command/Unit Financial Specialist (for Navy, Marine Corps, and Coast Guard)
 - Installation legal office
 - Military aid and relief societies



Slide 22

22. Conclusion

Instructor Note: Display slide 22.

Say: Understanding and managing your military pay is key for good financial planning. Use this information to place yourself on the road to financial success by knowing what you are

entitled to and by keeping track of your pay and benefits information.

In review, we covered how to manage your military pay, types of pay and benefits, tax considerations, common pay problems, and resources.

Does anyone have any final questions about the information we covered today?

Thank you for your participation!