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USAA MAGAZINE

A Member's Guide to Financial Security

OUR PRIVACY PROMISE
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39 Things Every Homeowner Should Know

PAGE 16



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« MESSAGE FROM THE PRESIDENT AND CEO »



PHOTOGRAPHY BY PAUL ELLEDGE

Home, Sweet Home

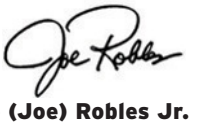
There are so many ways to view owning your own home. In the ideal sense, it's an achievement of a piece of the American dream. In real terms, a home can serve as a refuge, a retirement nest egg, occasional piggy bank and — yes — money pit when those ongoing expenses spiral in unexpected directions. Our feature on page 16, "39 Tips for Every Homeowner," reveals some of the financial surprises in store, plus tips for making the most of your big investment.

For military families, homeownership offers one more twist. It can be, very literally, a moving experience, since USAA members move twice as often as the average American family. Active-duty military members who have to change stations every two or three years face the added challenge of higher costs and greater housing-transaction risks.

To simplify the process for members looking to buy, rent or sell their next home, USAA Home Circle® offers a one-stop, comprehensive resource. Here, in one place, members can set up a custom Move Checklist; search millions of home listings by criteria including estimated monthly payment and even Basic Allowance for Housing; research neighborhoods and schools; apply for a mortgage; and get up to $6,000 back for using a USAA-preferred real estate agent through Movers*Advantage*®.

Military families already count on USAA for important financial decisions like buying a home. In fact, USAA Bank originates more VA loans nationwide than any other provider.

Whatever your next move, USAA is here with tools and guidance to help make homeownership a little less complicated and a little more financially rewarding.



Josue (Joe) Robles Jr.
Major General, USA (Ret.)
President and Chief Executive Officer

"For military families, homeownership offers one more twist. It can be, very literally, a moving experience, since USAA members move twice as often as the average American family."

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A Member's Guide to Financial Security
USAA MAGAZINE

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MISSION
USAA's mission is to facilitate the financial security of its members, associates and their families through provision of a full range of highly competitive financial products and services; in so doing, USAA seeks to be the provider of choice for the military community.

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The Front



David Blyar, member since 1991, and his son, Esteban, now an enlisted Marine.

PHOTOGRAPHY BY AMY MIKLER

$ HOW I DID IT

Helped My Son Establish Credit

David Blyar created a plan to help his son, Esteban, build a credit rating in just nine months.

AS TOLD TO KATHY SENA

My son, Esteban, began building a credit rating right after his 18th birthday.

After opening checking and savings accounts, Esteban applied for a secured credit card, which allowed his payment activity to be reported to all three main credit bureaus: Equifax, Experian and TransUnion. This reporting can help establish credit. The card we chose also offers rewards points and doesn't charge an annual fee.

Esteban keeps his balance well under his credit limit and uses his secured card much like a debit card. He doesn't wait to get his monthly bill. He checks his charges online frequently and pays the current amount due every weekend with an electronic transfer from his checking account.

After he mastered the use of the secured card,

$ HOW I DID IT

Helped My Son Establish Credit



David and Esteban Blyar outside their home in Jacksonville, Fla.

CREDIT SCORE FACTORS

- Payment history
- Amount of credit limit used
- Length of credit history
- Multiple new credit accounts
- Types of credit in use

Esteban got a small secured loan from a credit union. These loans generally have a lower interest rate because the bank is taking a lower risk and can collect the collateral if you default on payments. He deposited $400, which served as collateral. Then Esteban applied for a secured $300 loan. He set up automatic payments from his savings account to pay off the loan over the next six months. The interest rate was 2.25 percent, just pennies to help establish a good line of credit.

Nine months after Esteban turned 18, his credit score was 761, according to Equifax, whose scores range from 280 to 850, with higher scores indicating lower credit risk. Now 19, he has enlisted in the Marine Corps and plans to apply for a small auto loan for a used car when he completes boot camp in June. With the good credit he's established over the past year, I know my son will be successful. $

To learn how a USAA secured credit card can help build or improve your credit score, visit usaa.com/securedcard.

15 PERCENT

USAA advises members to set aside this much of their gross income from each paycheck. Two-thirds of that sum could be invested, with the remainder added to savings. To create your own savings plan, visit usaa.com/moneymanager.

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PHOTOGRAPHY BY AMY MIKLER

See legal information on page 30.



Is an RV Right for Me?

Scott Halliwell, a CERTIFIED FINANCIAL PLANNER™ with USAA, breaks down what to consider before buying a high-priced camper.

Q WOULD IT MAKE SENSE TO PRACTICE FIRST?

A Buying an RV is often a huge financial commitment that doesn't have an easy or financially secure exit strategy. Renting, at least a couple of times, might help you decide whether the RV lifestyle is right for you and yours — without breaking the bank.

Q DO YOU WANT *ALL* YOUR VACATIONS TO REVOLVE AROUND AN RV?

A Many families find taking vacations without the RV just does not make financial sense. You'll want to honestly assess how long it will take for the novelty of RV ownership to wear off.

Q WHAT'S THE OPERATING COST?

A Considering this purchase on a cost-per-use basis can be a real eye-opener. Figure out how much your RV of choice will conservatively cost you during ownership and divide that by the number of times you think you'll use it.

Learn how to secure a motor home insurance policy at usaa.com/motorhome.

ILLUSTRATIONS BY DAMIEN VIGNAUX; MATTHEW HOLLISTER

Financial Planning for the Self-Employed

Contractor, consultant, freelancer. Whatever the job title, nearly 18 million Americans were classified as independent workers last year, according to a 2013 report by MBO Partners. Self-employment can offer flexible hours and greater independence, but with those benefits come important financial considerations.

1. TAXES

» "If you're a freelancer, in addition to income tax, you pay both the employee and employer portion of Social Security and Medicare taxes," says JJ Montanaro, a CERTIFIED FINANCIAL PLANNER™ with USAA. That means the usual 7.65 percent doubles to more than 15 percent. "We suggest making quarterly estimated tax payments to help avoid a big tax bill and potential penalties at filing time."

2. HEALTH AND LIFE INSURANCE

» In lieu of health benefits offered by employers, discounted insurance plans might be available through your college alumni association, industry associations or other affinity groups. The USAA Health Insurance Marketplace at usaa.com/healthinsurance can help you compare choices.

3. CASH FLOW

» The unpredictability of freelance work can make budgeting difficult. "Since you don't have a consistent paycheck every two weeks, you may want to create that," Montanaro says. "Put your earnings into a savings account, then set up automatic payments [from savings to checking] twice a month to handle day-to-day expenses."

4. RETIREMENT

» "Gone are the payroll deductions and company matches that fund employer retirement plans," Montanaro says. "But there are plenty of opportunities for freelancers to save for retirement. They just have to be proactive." Popular choices include a Roth IRA, individual 401(k) and Simplified Employee Pension Plan. —KRISTIN BAIRD RATTINI





Don't Be a Vacation Victim: Keep Your Money Safe

Unsuspecting tourists often make easy targets for thieves. Robert Siciliano, a Boston-based personal security and identity theft expert, offers tips for keeping your money safe and your mind at ease while traveling.

LIGHTEN YOUR WALLET

"Only carry the credit cards you'll use and the minimal amount of cash you'll need," Siciliano says. The truth is you probably won't purchase souvenirs with your department store card, so don't take the chance of losing it to a thief.

PURCHASE WITH PLASTIC

Cash is irreplaceable, but many credit and debit cards, including those issued by USAA Bank, have zero-liability policies. That means if you lose it, you're off the hook for unauthorized charges. Debit charges must be reported within 60 days of your statement.

LEAVE NOTHING LYING AROUND

Never leave anything of value in your hotel room. "The key cards and combinations are accessible to virtually any member of the staff," Siciliano says. He adds that many room safes have an override mechanism. As an alternative, ask management to store your valuables in the hotel's safe.

HIDE IN PLAIN SIGHT

If you intend to step away from your valuables in places like a beach or a rental car, make sure they are hidden in the least obvious spots. Siciliano recommends using "diversion safes," which are cleverly disguised as soda cans, books and other everyday items to throw off crooks.

KEEP YOUR CONNECTIONS PRIVATE

Use caution connecting to personal accounts in public places like hotels or coffee shops, where your information can be stolen on unencrypted, open Wi-Fi. Siciliano suggests downloading virtual private network software to help protect your data. He also recommends avoiding any public computer. —MIKE HAMMER

PHOTOGRAPHY BY MARIAH TYLER

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See legal information on page 30.

ASK USAA

Q: What happens to joint accounts when a spouse dies?

A: The most common type of joint ownership is joint tenants with rights of survivorship. Any assets owned this way should automatically pass to the surviving spouse. Bank and investment accounts, real estate and even business interests can be owned jointly. You should contact the bank or investment company to ensure the surviving spouse's Social Security number is reflected for tax reporting and seek counsel on how assets are titled to ensure your estate plan is on track.

Do you have a financial question for USAA? Email it to usaamagazine@usaa.com to be considered for the next issue.

Rethinking Car Loans

Lengthier auto loans are on the rise, and they carry major risks.

Savvy car buyers should be aware of the latest trend in auto lending – and try to avoid it. The number of buyers taking out six- to seven-year auto loans increased by 19 percent in 2013 to 20.1 percent of all new car purchases, according to recent reports from Experian. And with these longer loans comes greater financial risk.

"These trends are scary," says JJ Montanaro, a CERTIFIED FINANCIAL PLANNER™ with USAA. "You could easily end up being upside down, owing more than the car is worth, and also paying a lot more in interest over those extended time periods."

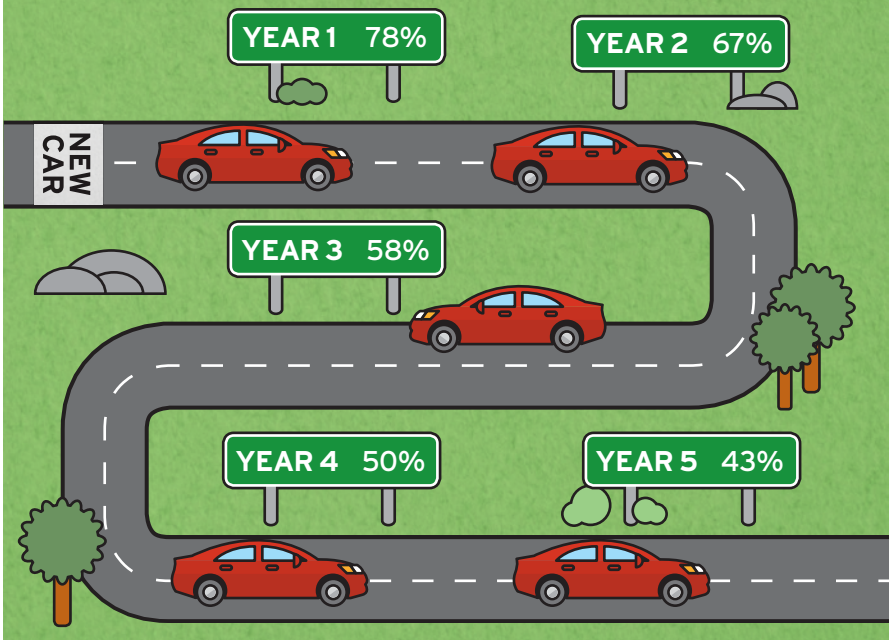
For the consumer, extending the loan term may make a more expensive car seem affordable because the monthly payments are lower. But in the end, you could pay thousands more in interest and risk owing money when it's time for a new car. "If you have to use a six- or seven-year loan, it's probably a sign you need to set your sights lower," says Montanaro.

When buying a car, Montanaro suggests limiting your loan term to a maximum of five years. Additionally, he recommends spending no more than about 10 percent of your monthly gross income on transportation. That 10 percent should include not only your car payment but also gas, insurance and maintenance expenses. So a person earning $4,000 a month in take-home pay should try to spend about $400 a month on total transportation expenses.

"People typically overshoot on that," Montanaro says. "If you overspend on a big-ticket item like a car, it gives you less financial flexibility." **–ANALISA NAZARENO**

Impact of Depreciation

A new $40,000 sedan may only retain 43 percent of its value after five years. By taking out an auto loan that extends past that benchmark, you risk owing more money than the vehicle is worth.



DEPRECIATION DATA FROM EDMUNDS.COM AND IS BASED ON A 2014 LINCOLN MKZ (2.0L 4-CYL. TURBO AWD 6-SPEED AUTOMATIC).



Preparing for the Drawdown

Free military tools can help smooth your return to civilian life.

As austere times continue and wartime operations draw to a close, the government has called for a swift military drawdown. In February, Defense Secretary Chuck Hagel announced a plan to reduce military personnel by roughly 129,000 over the next five years. The plan would shrink the Army to its smallest size since before World War II. The downsizing will begin this year, but the exact numbers will fluctuate depending on budget decisions.

Through a handful of free assessment tools, USAA stands beside its members as they make the complicated transition back to civilian life.

"Start planning now, whether you know you'll be separating or you're just considering it," says Eric Engquist, executive director of USAA's Military Transition Program. "We think members should plan 18 to 24 months prior to separating."

Engquist suggests saving for emergencies and paying down debt while service members still have steady income. USAA offers an online separation assessment tool that shows members the military benefits they'll be leaving behind — Servicemembers Group Life Insurance and Basic Allowance for Housing, for example. Engquist says separating service members should consider the loss of these benefits, along with tax breaks for the military.

USAA's separation checklist is customizable and lays out the best steps for each member's specific situation and needs. If separation is coming up quickly, the list shows you what you need to know right now.

Engquist adds that USAA has specialists — veterans or military spouses — who can offer guidance about separation based on their own experiences. "Service members should not make this decision in isolation," Engquist says. —SETH PUTNAM

Get a head start on the next phase of your life at usaa.com/leavingthemilitary.

ILLUSTRATION BY DAMIEN VIGNAUX

THE STRIPE
It will take time for merchants to upgrade their payment terminals to accept chip cards. To ensure cardholders can shop where they please, USAA Bank's new chip cards will also include a magnetic stripe.

THE MICROCHIP
An embedded microchip uses authentication technology to help prevent data thieves from stealing the cardholder's confidential information.



HOW IT WORKS
Chip cards aren't swiped; they're inserted into a reader. When used with such readers, chip cards are more secure than magnetic stripe cards.

Did You Know?

There were 26.2 billion credit card transactions in the U.S. in 2012, according to the Federal Reserve. That's about 50,000 purchases every minute.

390 million credit card accounts are currently open in the United States.

Each card weighs about 0.2 ounces. All together, U.S. credit cards would weigh almost 5 million pounds.

To learn more about this technology, visit usaa.com/chipcard.

Meet Your New Card

High-tech, more secure debit and credit cards are coming to USAA Bank members.

The magnetic stripes that credit and debit card users have known for decades are about to receive a major security makeover. Through a practice called "skimming," fraudsters can copy the information on these stripes to make fake cards. To help prevent this, U.S. banks are beginning to distribute new cards that use an embedded microchip as a data firewall.

"Chip cards are much more sophisticated and difficult for criminals to replicate," says Vikram Parekh, USAA's assistant vice president of product management for credit cards. "This upgrade is a major step forward."

Chip technology has been standard in Europe for years. USAA Bank makes these chip cards available to international travelers and plans to start a phased 18-month domestic rollout this fall. The goal: Convert more than 16 million cards. **—LEE BROOKMAN**

ILLUSTRATION BY BRYAN CHRISTIE DESIGN

FOR THE LONG-TERM UNEMPLOYED, JOB SEEKING CAN FEEL HOPELESS. BUT AS OUR EXPERTS EXPLAIN, THERE IS A CLEAR PATH TOWARD MOVING YOUR CAREER – AND YOUR LIFE – FORWARD.

BACK ON TRACK

When USAA member Philip Holmes retired in June 2012 after a 20-year career with the Army military police, he thought he would find a job quickly. He had supervised law enforcement for a community of 10,000 people, and he had earned an MBA with a concentration in information technology. But one year and 200 applications later, he hadn't found anything.

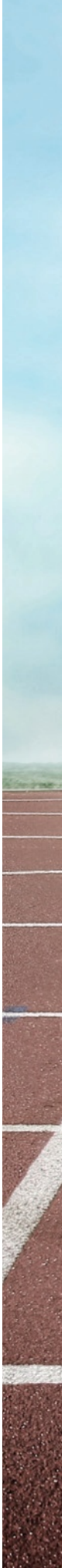
"I couldn't even get an interview," says Holmes, 47. "And there was no explanation. It's like you're in a black hole you can't get out of."

If one thing defines the Great Recession, it's long-term unemployment. The percentage of the unemployed who were out of work for more than six months was higher in this period than at any time since the government began keeping statistics in 1948. And even though the recession officially ended in June 2009, long-term unemployment rates remain at historically high levels. Of the 10.5 million Americans who were out of work in February, 3.8 million had been unemployed long term — 27 weeks or more, according to the Bureau of Labor Statistics.

Long-term unemployment ruins finances and has been associated with increased depression and suicide rates, according to the American Counseling Association. And while long-term unemployment is financially and psychologically difficult for anyone, it can be even harder for veterans.

They must deal with the loss of their military income and benefits while trying to compete in a job market where there are three unemployed Americans for every open position. And they must do this just as they are transitioning from a familiar world to one in which they can feel like they have no role.

"It's horrible to go from the military, from being a breadwinner, from being



BY IAN MOUNT
PHOTOGRAPHY BY C.J. BURTON



needed and part of a team where you feel you're contributing something, to being unemployed," says Holmes, who found a temporary position with the Federal Emergency Management Agency in Denver in December. "You start questioning your decisions: Why did I get out of the military? How am I going to provide for my family? There's a sense of loss, despair."

Still, being out of a job long term is not a life sentence for an unemployed veteran. These four steps can help get a career back on track.

CONSIDER MAKING A MOVE

"A lot of veterans just don't want to relocate," says Jaynine Howard, a USAA member. Howard, 50, served 20 years in the Marine Corps and is currently a veterans career coach in Jacksonville, N.C. "They're not willing to go to Texas, North Dakota, where the jobs are. And I've had people who say, 'I won't take less than $45,000,' but we're in an area where the average is $29,000. My hands are tied."

USAA and the U.S. Chamber of Commerce Foundation's Hiring Our Heroes project put together a Best Places program to highlight where veterans are most likely to find jobs related to their skills.

"Don't geographically isolate yourself from a job market," says Eric Engquist, the executive director of USAA's Military Transition Program. "We find that veterans separate to three locations: the immediate community outside their last installation, their home or their spouse's community. And those three places are not necessarily the ones that offer the best opportunities. You need to look more broadly."

EXPLORE YOUR NETWORK

For many veterans, it feels awkward to contact friends and acquaintances to ask about work, but that's part of the civilian world.

"Networking can be a dirty word to vets; it can be, 'What can you do for me?'" says Jacqueline Purdy, a 20-year Air Force veteran who leads talent acquisition for USAA. "We advise people to utilize your network of those who transitioned before you."

James Souders, who served in the Marine Corps and the National Guard, learned that lesson when he began to look for a project management job near Harrisburg, Pa., in January 2013. In four months of submitting online job applications, Souders, 34, didn't get one interview.

"In April, I started to network outside of blindly applying to jobs," Souders says. "I used my social network and reached out to people I knew to find things that weren't posted."

In May, he had his first interview. In December, he found work as an IT project coordinator after contacting the career counseling office at Penn State, his alma mater.

Networking continues online, where job seekers can use groups on sites such as LinkedIn to create a professional brand and talk with possible employers.

"You *must* have a LinkedIn profile," says Debra Ann Matthews, a Clarksville, Tenn., resume writer and career coach who works with veterans. "You must Google yourself to see what you find. You have to give companies something to look up. And you must join a professional association." (For more, see "How to Make Your Social Profile Employer Friendly," below.)

LEARN TO NAVIGATE THE CIVILIAN MARKET

Moving from the military to the civilian job market means more than just taking off a uniform. It requires understanding what civilian hiring managers want and making corresponding changes in how you market yourself.

The most obvious step is what Lida Citroën, a Denver branding consultant who works with veterans, calls "demilitarizing the resume."

This means not only removing military terminology and acronyms but

How to Make Your Social Profile Employer Friendly

Nearly two in five companies now use social media sites to research job candidates, according to a 2013 nationwide survey conducted by Harris Interactive on behalf of CareerBuilder. Sherry Beck Paprocki, co-author of "The Complete Idiot's Guide to Branding Yourself," shares four tried-and-true steps to help ensure you're in great shape when a potential employer Googles your name. —KATHY SENA

1 CONSIDER STARTING FRESH.

"If you have a profile that you are ashamed of, delete it and start anew," Paprocki says. The downsides: You'll need to rebuild friends and followers, and some posts may stay in cyberspace even if you eliminate your profiles. (Remember that user agreement you signed?) Be ready to explain any regrettable posts if you're asked about them during an interview. And starting today, keep it clean and professional.



also explaining the job seeker's experience using words that have value in the civilian world.

For Holmes, the Army MP, that was as simple as changing "law enforcement supervisor" for a community of 10,000 people to "program manager" for law enforcement activity, a broader title that fits the civilian mindset.

The need to demilitarize extends into the job interview, where many long-term unemployed veterans have their biggest stumbles. Veterans need to talk up their own accomplishments and do so in a compelling way.

"Veterans also have trouble with 'I' versus 'we,'" Citroën says. "They say it sometimes feels disloyal to use the first person. But employers want to hear about what *you* did."

Another tip for the interview? Relax.

"The jump to a civilian market just isn't about skills and trade but about the social aspect," says USAA member Leanne King, president of SeeKing HR, a San Antonio human resources firm, and a 10-year Air Force veteran. "I've interviewed a number of veterans, and I say, 'You just need to stop and smile.' If you sit at attention all the interview, it comes across that you're not approachable."

STAY POSITIVE

In the end, no matter how difficult long-term unemployment is, those suffering through it should remember that it can be overcome, and it is not a reflection on their value as a person.

"Employers have their pick right now," says Heidi Shierholz, a labor market economist at the Economic Policy Institute. "Don't take it personally if you get rejected over and over. It's not about you. It's about searching for a job in a labor market like this." $

Ian Mount has written for *The New York Times* and *The Wall Street Journal*.

2 CHECK YOUR PRIVACY SETTINGS.

Your instinct may be to limit your settings to friends only, Paprocki says. But you may want to think about that before you take action. "If you're applying for jobs with a marketing or communications focus, consider allowing potential employers access to your sites," she says. "Your knowledge about social media is one of the best attributes you can bring to the marketplace. But if transparency isn't critical to your career, and you want to keep things more private, adjust your settings."

3 PRESENT YOUR BEST SELF ONLINE.

No need to gossip about personal relationships, rant about "The Bachelor" or get too fired up about last night's football game. Avoid "partying" shots and photos that expose too much skin. Search for "how to untag photos" for directions to remove your name from images posted by others.

4 BUILD YOUR PERSONAL BRAND.

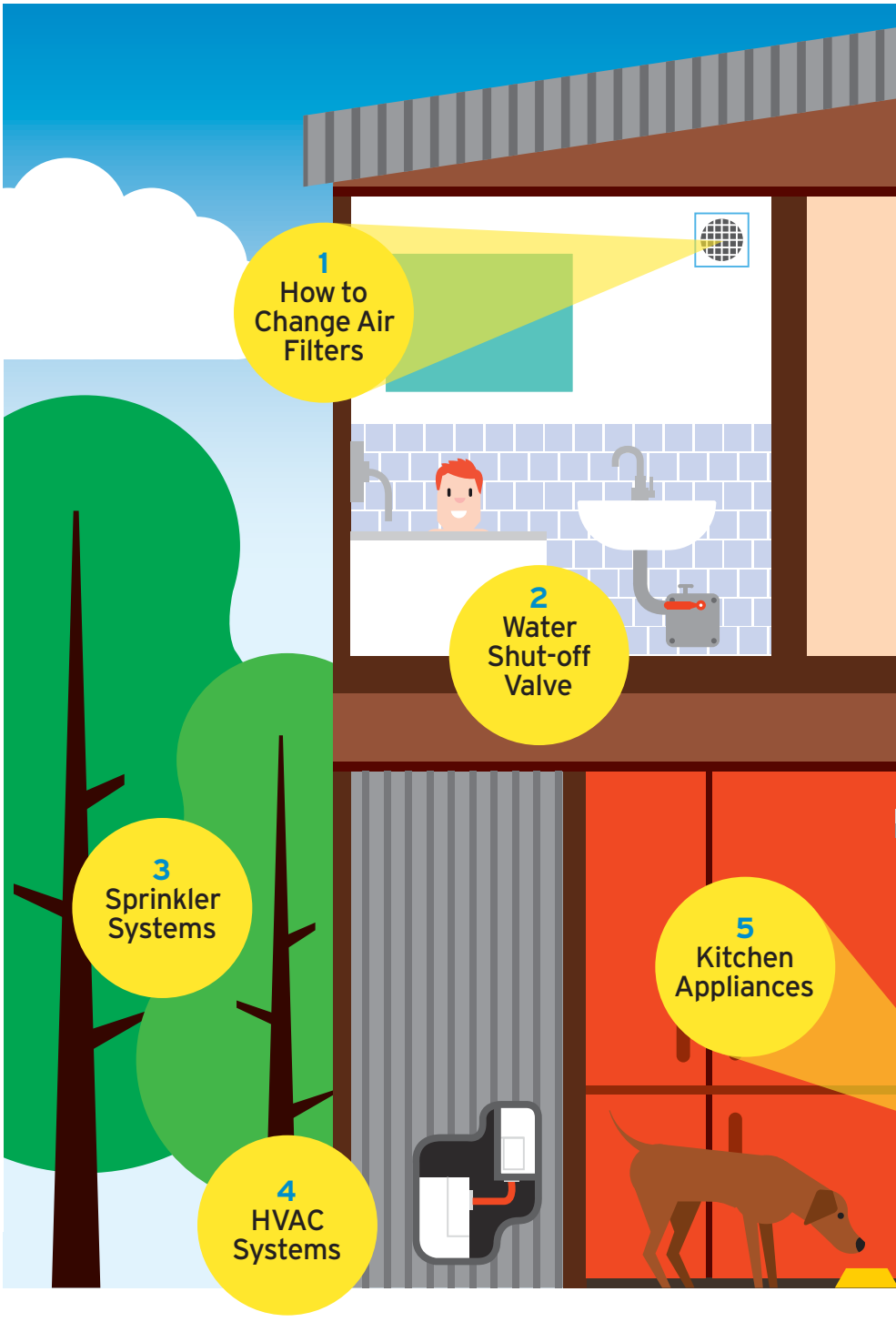
Take time to create a good LinkedIn profile accompanied by a professional-looking photo, then have a friend or family member edit your profile. Use social media to post positive, upbeat information and upload links to interesting news articles about your profession. Prove to a future employer that you would be a productive, engaged and smart team member.

39 Tips for Every

Our Owner's Manual for Navigating the Costs, Concerns and Questions of Life's

Since USAA members Jeremy and Nancy Malczyk took the plunge into homeownership in 2013, the couple have faced some of the hurdles that come with the first year. "I love our house ... but for Jeremy, it is filled with stress and anxiety," Nancy says, referring to the aging boiler, cracked driveway and outdated kitchen.

Preparation and care can make the difference between costly headaches and home sweet home. Here, our professionals offer 39 tips to help you enjoy your big investment.



1-8
Get to know your home's systems.

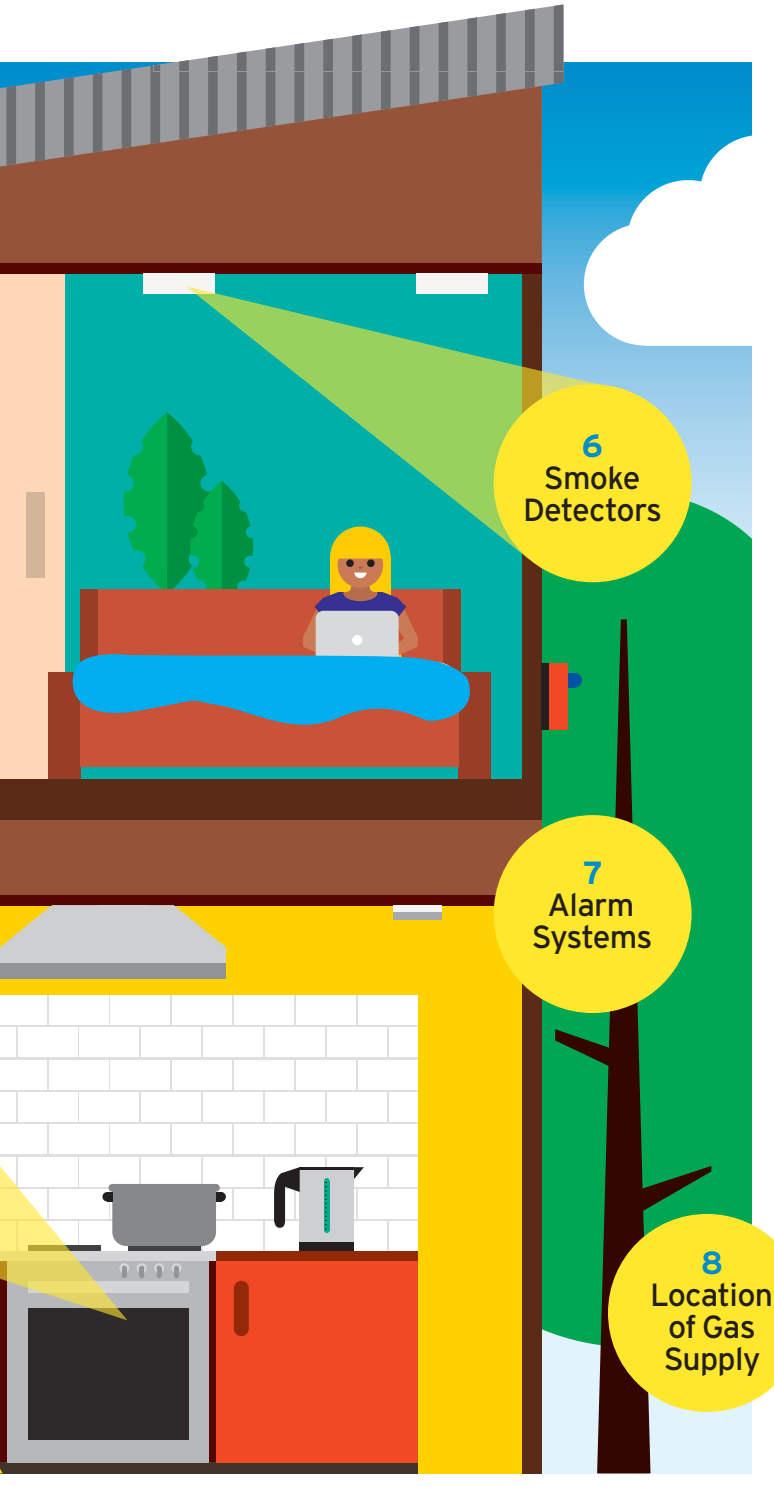
When you first buy the home, have someone, maybe even the seller, acquaint you with its features.

9
Always have your locks rekeyed immediately.

Homeowner

Biggest Purchase

BY BLAKE MILLER • ILLUSTRATIONS BY ROBERT SAMUEL HANSON





10
Stay updated on schools.

"You need to call the school district and find out if there will be any boundary changes regarding schools, especially in new neighborhoods," says Dana Winans, director of relocation services for Better Homes and Gardens Real Estate, a Dallas-based firm that participates in the USAA Movers*Advantage*® program.

11
Understand your homeowners insurance coverage.

"A lot of times when people buy a house, they don't understand all of the liability limits," says Scott Halliwell, a CERTIFIED FINANCIAL PLANNER™ with USAA. "I always encourage homeowners to really look at [their policies] again and see if there are any changes they'd make. I've talked to a lot of people who have a 1 percent deductible but didn't really think about what that means. One percent of a $400,000 home is a lot of money for most people." JJ Montanaro, a CERTIFIED FINANCIAL PLANNER™ with USAA, adds: "Understand what type of coverages your homeowners insurance has and its limitations. If you have expensive jewelry or electronics, you may have some coverage, but it may be subject to deductibles and limits." He suggests looking into valuable personal property or umbrella policies with USAA to help make sure your assets are protected.

12-15
Quiz your home inspector.

12 WHAT do I need to prepare and protect the home against freezing weather?
13 HOW do I properly maintain drainage and moisture around the home to prevent foundation issues?
14 HOW often do I need to have the HVAC system serviced to keep it in proper working order?
15 WHICH items would you repair or replace if you were buying the home?

16-21
Know your neighborhood rules.



16 Will a change in exterior color, siding or roof style require approval from your city or homeowners association?

17 Does the neighborhood have restrictions on the type or height of a fence?

18 Any rules on the number or type of vehicles, such as campers and boats, that can be parked at a property?

19 Are there restrictions on the types of business you can run out of your home?

20 Are particular types of animals, sizes or breeds prohibited in the neighborhood?

21 Can sheds or outbuildings be built on your property?

22-24
Learn state tax rules.



22 SOUTH CAROLINA
Soon after closing, new homeowners should head to the county assessor's office to apply for the discounted 4 percent property tax for permanent occupants. If not, their tax bill comes out at 6 percent, which can be a large difference.



23 MARYLAND
First-time homeowners are exempt from state transfer taxes, which are usually split 50-50 between the seller and the buyer.



24 TEXAS
Seek a homestead tax exemption. Homeowners can end up saving 20 percent on their property tax each year – if they file for it.

25
DON'T Touch your retirement savings.

"Never put yourself in a situation where you have to dip into your retirement assets to buy, maintain or improve your house," Halliwell says. "That's a good indication you stretched yourself too thin." He suggests having an emergency fund that covers three to six months of expenses to avoid this.

26
DO Re-evaluate personal documents.

Major life changes such as a home purchase are great reasons to review and possibly update your life insurance and important estate planning documents, Montanaro says.



27
DO Consider a home warranty.

"If you didn't negotiate one at closing, buy one," Winans says. Many policies cover problems with appliances, heating or cooling systems, and interior plumbing. "You pay a small cost annually, which is so much less than if you had to pay $3,000 to replace a furnace."



28
DON'T Expect a major tax refund.

"Most people believe they will have a significant tax refund the year they buy a house," says Gregg Turkovich, a certified public accountant based in Buffalo, N.Y. "That's not always true, especially if you purchase your house in the second half of the year and only have a partial year's worth of deductions." Turkovich reminds new homeowners that they can write off property taxes and mortgage interest but not their entire mortgage payment.

29 Ask the listing agent for past utility costs.

30-33
Maintain the exterior.

30 APPEARANCES MATTER Curb appeal helps maintain property values. Take pride in your new investment.
31 WATCH THE HEAT It can cause foundation problems. Consider placing a soaker hose 12 to 18 inches from the home's outer edge.
32 WATER RULES In many southern cities, homeowners can be fined for watering their lawn on the wrong days of the week.
33 MEET THE LANDSCAPER The lawn care vendor knows the yard. Ask sellers for contact information and fees.





Expect expenses to be more expensive than you thought.

"You never truly understand how much money you will spend on your home until you own one," Halliwell says. Factor in necessary purchases like window coverings, landscaping equipment and a well-stocked toolbox, plus periodic maintenance items like air filters.

36
Prepare for the worst.

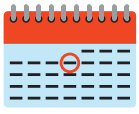
"You always need to know what potential hazards can occur in your market," says Candy Welch, vice president of relocation for ERA Wilder Realty, a Columbia, S.C.-based firm that participates in the USAA Movers*Advantage* program. "Are you on an earthquake fault, are you in an area susceptible to brush fires, or do tornadoes happen often?"

According to the National Flood Insurance Program, the average flood insurance premium costs $650 annually, a small price compared to the cost of rebuilding an entire home.

37
Think security.

Protecting your family is critical. ADT Home Security offers USAA members a discount on installation. Plus, it can save you money on your USAA homeowners insurance premium.

38



Know your renewals.

If the home has a termite or stucco bond in place or an alarm system contract, "don't depend on the company to notify you prior to the renewal date," Welch says.

39
Enjoy your home!



Financial advice provided by USAA Financial Planning Services Insurance Agency, Inc. (known as USAA Financial Insurance Agency in California, License # 0E36312), and USAA Financial Advisors, Inc., a registered broker dealer. Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP® and CERTIFIED FINANCIAL PLANNER™ in the United States, which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

Blake Miller writes for *Redbook* and *US Airways Magazine*.

See legal information on page 30.

The New

HOW TO "RIGHT-SIZE" THE FAMILY BUDGET IN A TIME WHEN REDUCED SPENDING IS KEY TO LONG-TERM FINANCIAL SECURITY

By Andrea Downing Peck

Michelle Dudas received a rapid-fire introduction to life as a military spouse when she met her future husband, married and moved cross-country, all in the span of two months.

Yet none of the adjustments Dudas faced was as daunting as the transformation she needed to make in her spending habits. Being "married to the military" meant Dudas was giving up a $50,000-a-year job as a loan officer and quality-control coach with one of Washington state's largest credit unions and relocating to Fayetteville, N.C.

As a single professional, Dudas, whose family is now based in El Paso, Texas, had filled her closet — and her coffee cup — while worrying little about how she was spending her money.

"New clothes every week and Starbucks," says Dudas, explaining her premarital spending sprees. "I absolutely loved Starbucks, and being in Seattle, there's a Starbucks on every corner and another Starbucks inside the store next to the Starbucks on the corner. I spent more than $1,000 a year on coffee."

As the new wife of an enlisted soldier, her coffee-and-couture lifestyle came to an abrupt halt.

"We ended up getting pregnant soon after we got married," Dudas says. With a child on the way, she knew she had to give up her lavish spending. "I had racked up a lot of debt," she says. "I was pretty irresponsible."

Dudas quickly executed a 180-degree turn in her free-spending ways and learned to live on less by eliminating impulse spending, clipping coupons and researching purchases.

"It wasn't painful," says Dudas, who in 2010 started the website MilitaryWivesSaving.com to share her penny-pinching knowledge with other military families. "It was more of an eye-opener. We need to start thinking about our family, our



Frugality



USAA members Clint and Michelle Dudas cut costs to save for their children's future.

"We need to start thinking about our family, our savings and our retirement. I realized we need to save for the important stuff."

–Michelle Dudas

PHOTOGRAPHY BY BILL STENGEL

savings and our retirement. I put myself on the back burner, and I realized we need to save for the important stuff."

WHY FRUGALITY MATTERS

In the coming years, learning to live on less may be the norm for military families. Active-duty service members not only face a plan by the Defense Department to curb compensation-spending growth, but they also may have to retire earlier than expected as the department reduces the force.

And late last year, Congress passed a budget agreement that reduced annual cost-of-living adjustments for working-age military retirees by 1 percent. Although the legislation was later repealed for those who are currently serving, the reduction highlights the threat of government cost-cutting measures for service members.

While the gap between military and civilian pay has shrunk for today's service members, making ends meet remains a challenge for many military families. In the most recent U.S. Financial Capability Study, 41 percent of service members surveyed said it was "very difficult" or "somewhat difficult" to cover their expenses and pay bills, and 29 percent "experienced a large unexpected drop in income in the past year."

Whether you are having difficulty making ends meet, anticipating a change in family income or transitioning to the civilian workforce, "right-sizing" your spending is a step worth taking.

CUTTING THE CLUTTER

Right-sizing begins with an evaluation of the bare essentials. USAA member and consumer advocate Clark Howard recommends reviewing your bank and credit card statements from the past three months for monthly or quarterly automatic payments.

"If you are subscribed to Netflix, when is the last time you watched a Netflix movie?" Howard says. "Whatever the bill, ask yourself: Is this still a part of your life?"

Consumer finance consultant and best-selling author Ellie Kay says becoming a compulsive saver can be a lucrative part-time job. Kay says her family was able to wipe out $40,000 in consumer debt in less than three years on one military income by re-evaluating spending, saving at the grocery store, and negotiating when making purchases or contracting for services such as cellphones and cable TV.

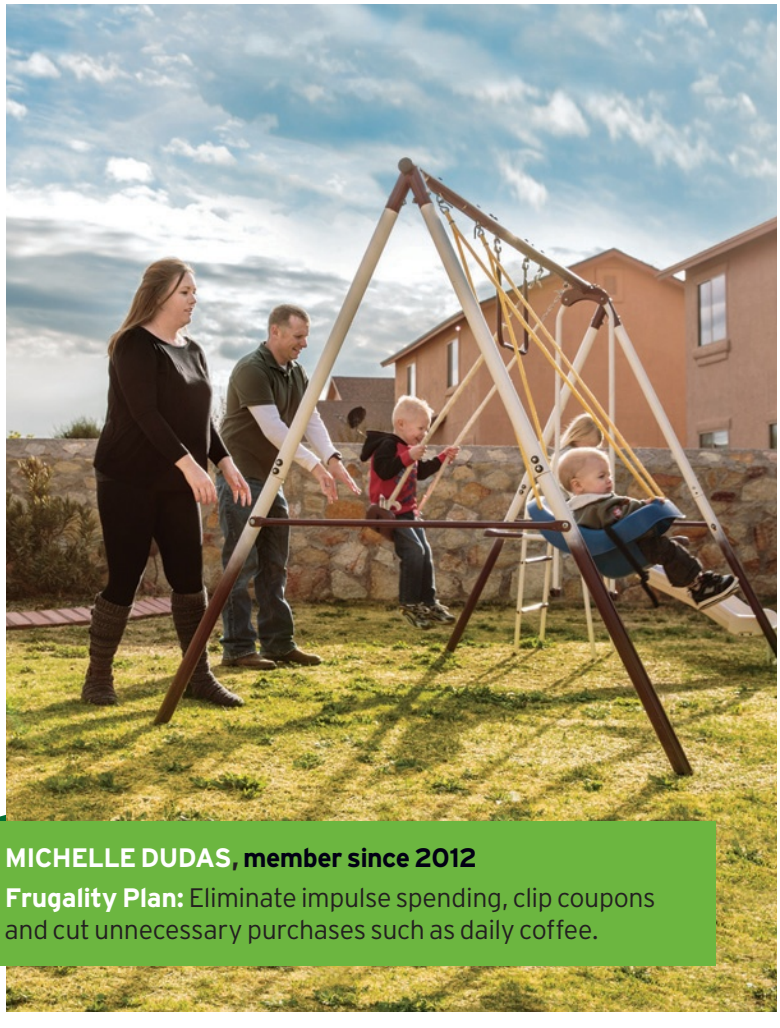
As a new wife and stepmom, Kay traded her career in finance for a position in household budget management.

In the past, she didn't worry much about money. But sometimes she would suddenly find she didn't have enough money to buy groceries. Becoming a budget-conscious saver was a "huge paradigm shift," says Kay, a USAA member.

She calculated that her family of seven sliced $160,000 off their grocery bill over 20 years by layering savings — using store coupons in conjunction with manufacturers' coupons, sales and rebates — and strategic meal planning.

"You make your menu out according to what is on sale and what you have in stock," Kay says. "If you buy things when they are on sale and add in other saving factors, you spend the least amount for an item. That is how you save a lot of money."

Kay points out that "a penny saved is more than a penny earned" because a portion of every dollar



MICHELLE DUDAS, member since 2012
Frugality Plan: Eliminate impulse spending, clip coupons and cut unnecessary purchases such as daily coffee.

PHOTOGRAPHY BY BILL STENGEL



earned disappears to taxes, but money saved stays in your wallet.

“The magic words for the new frugality are: Is this your best price?” Kay says. “You say those magic words everywhere you go. You say it for your cable bill, your bug service. You are even going to say it to your hairstylist.”

BUDGETING FOR SUCCESS

USAA member Doug Nordman, author of “The Military Guide to Financial Independence & Retirement,” could serve as a poster child for the long-term benefits of keeping expenses low and saving as much as you can.

After a 20-year career in the Navy, Nordman retired permanently at age 41. His family resides in Hawaii, living off his military pension and their investment and rental income. Living on a budget has been a cornerstone of his success story.

“Every month, we would try to figure out what we were spending and where it was going,” Nordman says. “You don’t necessarily have to put yourself on a financial diet as much as you have to track your spending so you know where it is going. Then you can say, ‘Is this really how I want to spend my money?’ That awareness is a powerful tool.”

Nordman says he and his wife, who is retired from the Navy Reserve, have enjoyed the challenge of being frugal but have not deprived

PHOTOGRAPHY BY MARCO GARCIA

Check out Quick Tips for Frugal Living, available on the digital version of *USAA Magazine*.

themselves of things they enjoy, such as traveling, weekly restaurant meals and living in their dream house. They do scrutinize their buying decisions, however. Each potential purchase is met with a question: How many hours are you willing to work to pay for whatever it is you're buying?

"Once you go through that exercise," he says, "it is amazing how people will start finding extra cash to pay off debt and stop spending on things that don't bring them value, even if it is just not buying new clothes or buying a smaller car the next time they need a vehicle."

In addition to being careful spenders throughout their married life, the Nordmans also have been purposeful savers. Their rule of thumb is to "pay themselves first" each month by investing any surplus in their monthly budget. They also made it a habit to invest nearly all of their military raises and longevity increases.

"We ended up saving at least one spouse's entire income for most of our careers and saving almost all of every pay raise we got," Nordman says.

As for Michelle Dudas' long-term frugality plan, she aims to have her family's financial house in order before her husband, Clint, leaves military service in a few years.

"I cannot wait to be out of debt," she says. "No more credit cards. Pay off the mortgage — hopefully before retirement. We are trying to stay on track and get there." $

Andrea Downing Peck, a frequent contributor, focuses on personal finance, lifestyle, medical technology, veterans and military-family issues.

DIY Skills That Can Lead to Savings

Want to save more? "Doing it yourself" is the ultimate frugality. What's your favorite hobby? What skills could lower your bills? Maybe you could bake bread instead of buying it. Or change your car's oil. Now that you're considering new ways to be frugal, check out three people who took their DIY skills to the next level. —SETH PUTNAM



Woodworking

Knowing your way around the wood shop can mean big savings on small household items. "I started when I was in high school shop class," says Mark Wilson, a combat engineer who served two tours in Iraq disabling improvised explosive devices. His tool collection began with a cheap electric drill, circular saw and hammer. A noncombat accident took 90 percent of Wilson's vision and left him with impaired speech, but he continues to turn out picture frames, shelves, benches and coat racks.



Homebrewing

Making beer boils down to four simple (and cheap) ingredients: water, hops, yeast and grain. After a small investment in a beginner's brewing kit, the savings grow exponentially. "In homebrewing, I think there's an opportunity to take control of something that was controlled for you, and there's value in that psychologically," says USAA member Paul Jenkins, who served in the Navy for a decade before he helped establish the Veteran Beer Co. in Chicago as a way to employ former service members.



Sewing & Tailoring

Sewing machines can be found for reasonable prices in classified ads or at garage sales. It's easy to learn basic alterations and repairs to help avoid costly trips to the tailor. The more ambitious can explore making accessories and clothing. Anna Gudmundsson of Kansas City, Mo., began by making simple bow tie designs before branching out with her own business making neckties and pocket squares. "The cost was so low," she says. "I already had the machine, so I bankrolled it myself with minimal fabric."

ILLUSTRATIONS BY JAMES NOEL SMITH

Member Savings

Stronger in the Fight Against Fraud

New security tools can help prevent cybercrime.

"The digital world is a dangerous place, and the threats continue to increase," says Gary McAlum, senior vice president and chief security officer for USAA Enterprise Security Group. To help prevent cybercrime like identity theft and credit card fraud, USAA encourages members to take advantage of these security offerings.

- **Security and fraud alerts:** USAA monitors all financial accounts and will notify you of any suspicious activity via text messaging or through the USAA Mobile App.†
- **Defense against phishing:** To be sure emails you receive from USAA are legitimate, look for the Security Zone stamp.
- **Protection against malicious software:** Trusteer Rapport works with your home computer's existing anti-virus software to provide comprehensive protection for online banking activities.
- **Stronger logon features:** Additional security measures such as multifactor authentication can help protect your financial transactions better than a user ID and password alone.

For security tools and advice, visit the Security Center at usaa.com/securitytools.

†Your phone carrier's data charges may apply.

PHOTOGRAPHY COURTESY OF USAA

MEMBER SAVINGS



Stress-Free Investing

Count on USAA's award-winning investment platform.

This summer you might find yourself with your feet in the sand, dreaming of your future. Whether it includes supporting a college education or buying a new home, opening an investment portfolio may fit your long-term financial strategy. You can take comfort knowing USAA's investment services are there to help.

Our financial advisors can recommend an investment strategy based on your time frame and risk tolerance. We can help you establish a diversified portfolio through a no-load USAA mutual fund account. And we can help you set new goals and monitor your progress.

Since 1986, USAA has won more than 70 Lipper Awards, which honor funds that have demonstrated consistently strong risk-adjusted performance. This year, USAA Investment Management Company earned three Lipper Awards.

"We have a very collegial and well-tenured team," says Matt Freund, chief investment officer of mutual funds at USAA Investment Management Company. "Each of our team members believes in the overall philosophy, and without that culture, we wouldn't have the results that we have."

Visit usaa.com/invest for tools and services to help plan, establish and track your investment strategy.

LIPPER
FUND AWARDS 2014
UNITED STATES

» **Best Fixed Income Large Group**
USAA Investment Management Company

» **Virginia Municipal Debt Funds, 3-Year Period**
USAA Virginia Bond Fund, Fund
USAA Investment Management Company

» **Core Plus Bond Funds, 5-Year Period**
USAA Intermediate-Term Bond Fund, Institutional
USAA Investment Management Company

Mutual fund operating expenses apply and continue throughout the life of the fund.

The performance data quoted represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost.

The expense ratio represents the total annual operating expenses, before reductions of any expenses paid indirectly, as reported in the Fund's most current prospectus, and is calculated as a percentage of average net assets (ANA).

Some USAA mutual funds have expense offset and performance fee adjustments and/or voluntary reimbursements that affect their operating expenses.

Diversification is a technique to help reduce risk. There is no absolute guarantee that diversification will protect against a loss of income.

Lipper's Large Company universe is currently comprised of fund families with more than $51 billion in total net assets. Only fund families with at least five bond funds were eligible. Risk-adjusted returns are calculated with dividends reinvested and without sales charges. Past performance does not guarantee future results. The individual funds may not have ranked number one in their categories.

The Lipper rankings are calculated by Lipper Inc., a Thomson Reuters Company, which is a nationally recognized organization that compares the performance of mutual funds within a universe of funds having similar investment objectives. Rankings are based on total return performance: with capital gains and dividends reinvested, with annual operating expenses deducted, but without including front-end or back-end sales charges. Rankings are relative to a peer group and do not necessarily mean that the fund had high total returns.

The ratings are subject to change every month and are based on an equal-weighted average of percentile ranks for each metric over three-, five-, and ten-year periods (if applicable). The highest 20% of funds in each peer group are named Lipper Leader, or a score of 5, the next 20% receive a score of 4, the middle 20% are scored 3, the next 20% are scored 2, and the lowest 20% are scored 1. Lipper ratings are relative, rather than absolute, measures, and funds named Lipper Leaders may still experience losses periodically; those losses may be larger for equity and mixed equity funds than for fixed income funds. Lipper ratings are not intended to predict future results, and Lipper does not guarantee the accuracy of this information. More information is available at www.lipperweb.com. Thomson Reuters Copyright 2013, All Rights Reserved.

PHOTOGRAPHY BY ML HARRIS/GETTY IMAGES



An Easier Way to Gift College Savings

Set and track goals with USAA's planner.

At a time when U.S. student loan debt has surpassed credit card debt, the gift of college savings has never been more valuable. USAA's Education Savings Planner can help you confidently prepare and save for the future of a friend or family member.

The online tool can help you research the expected price tag for the schools of your choice and set separate savings goals for multiple kids based on their ages. The first step is finding out how much you'll need to set aside each month. Then you can set up an account to start saving right away.

The Education Savings Planner can be linked directly to a USAA financial account, which in most cases is a 529 College Savings Plan. The 529 plan (named for a section of the IRS tax code) allows your contributions to grow tax-deferred, and withdrawals are tax-free when used for education expenses.

Start saving today with as little as $50 per month. Visit usaa.com/529.

Consider the investment objectives, risks, charges and expenses of the USAA 529 College Savings Plan (Plan) carefully before investing. Call 800-292-8825 to request a Plan Description and Participation Agreement containing this and other information about the Plan from USAA Investment Management Company, Underwriter and Distributor. Read it carefully before investing. If you or the beneficiary are not residents of the state of Nevada, consider before investing whether your or the beneficiary's home state offers a 529 plan that provides its taxpayers with state tax and other benefits not available through this Plan. Please consult your tax advisor.

Interests in the USAA 529 College Savings Plan are municipal fund securities issued by the Nevada College Savings Trust Fund (Trust). The value of an investment in the Plan will vary with market conditions. The Plan is administered by the Board of Trustees of the College Savings Plans of Nevada (Board), which is chaired by Nevada state treasurer. USAA Investment Management Company provides investment management services to the Portfolios, together with its affiliate, USAA Financial Advisors Inc., markets and provides related services with respect to the Plan. Upromise Investments Inc. serves as the Program Manager as well as effects participant transactions in the Plan. Interests in the Plan are not guaranteed by the Trust, the Plan, the state of Nevada, the Board or any other governmental entities, or any USAA or Upromise entities, and you could lose money.

Systematic investment plans do not assure a profit or protect against loss in declining markets. Automatic investment plans don't assure a profit or protect against loss in declining markets.



Minimize Your Moving Pains

Simplify your transition with a new mobile checklist.

Summer is always the busiest season to move. Whether you're transitioning out of a dorm or relocating your military family, creating a custom blueprint can reduce the stress and expense of moving.

We're here to help, with a solution that's as mobile as you are. USAA now offers a moving checklist to help you plan your next move, minimize expenses and curb the anxiety. Available on the USAA Mobile App, the checklist is a dynamic tool that offers customized guidance – such as how to qualify for a mortgage or make rental deposits – and helps you track your progress.

"Members answer questions about when and where they're moving, and the checklist recommends steps for their specific situation," says Paul Trevino, director of product development for the Home Buying Experience at USAA. "You can even add your own items and check them off along the way. It's a great way to stay organized and avoid making costly mistakes in the moving process."

Find USAA's moving checklist on the USAA Mobile App, under Home Circle®.

PHOTOGRAPHY BY TERRY VINE/GETTY IMAGES; DANIEL BENDJY/GETTY IMAGES

See legal information on page 30.

OUR PRIVACY PROMISE TO YOU

By choosing USAA, you have expressed confidence in our ability to serve you. It's important that you know we don't sell your information and that we share it outside of USAA for everyday business purposes, as permitted by law.

FACTS

What Does USAA Do With Your Personal Information?

Rev. 1/2011

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all, sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income.
- Account balances and account transactions.
- Credit history and insurance claim history.

How?

All financial companies need to share customers' personal information to run their everyday business as permitted by law. For example, we share with print and mail companies that assist us in sending mail. In the section below, we list the reasons financial companies can share their customers' personal information, the reasons USAA chooses to share and whether you can limit this sharing.

» REASONS WE CAN SHARE YOUR PERSONAL INFORMATION	Does USAA share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your accounts, respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer products and services provided or endorsed by USAA	Yes	No
For joint marketing – sharing with other financial companies to jointly market the other company's products or services	No	We do not share
For everyday business purposes of the USAA family of companies – this can include information about your USAA transactions and experiences	Yes	No
For everyday business purposes of the USAA family of companies – this can include information about your creditworthiness or insurability	Yes	Yes*
For non-USAA companies to market to you	No	We do not share

To limit our sharing

- Visit us online: **usaa.com/optout**, or
- Call **800-531-7154** – our menu will prompt you through your choices.

You can contact us at any time to limit our sharing. When you are *no longer* our customer, we continue to share and protect your information as described in this notice.

***Please note:**
If you are a *new* customer, we can begin sharing this information among the USAA family of companies 30 days from the date we sent this notice.

» QUESTIONS Call **800-531-7154** and ask to speak to a representative.

Our employees and the companies we contract with are obligated to hold your data in the strictest confidence. We also have rigorous security procedures in place to protect your information. Your trust is important to us.

» WHO WE ARE

Who is providing this notice?	United Services Automobile Association (USAA) and its family of companies, including companies identified with the USAA name and logo and Garrison Property and Casualty Insurance Company.

» WHAT WE DO

How does USAA protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does USAA collect my personal information?	We collect your personal information, for example, when you: • Open an account, or deposit money. • Pay your bills, or apply for a loan or insurance. • Use your credit or debit card, or direct us to sell securities. We also collect your personal information from others, such as credit bureaus, affiliates or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: • Sharing among affiliated companies for everyday business purposes – information about your creditworthiness and insurability. • Affiliates from using your information to market to you. • Sharing for nonaffiliates to market to you.
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account.

» DEFINITIONS

USAA family of companies (affiliates)	Companies owned or controlled by USAA. They can be financial and nonfinancial companies in the USAA family of companies. • The USAA family of companies includes: companies with a USAA name; financial companies, such as USAA Savings Bank and Garrison Property and Casualty Insurance Company; and nonfinancial companies, such as USAA Alliance Services Company and The USAA Educational Foundation.
Non-USAA companies (nonaffiliates)	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • USAA does not share with non-USAA companies so they can market their products to you.
Joint marketing	A formal agreement between a USAA company and a non-USAA financial company to market the non-USAA company's products or services to you. • We need to share with print and mail companies to send these communications. • We only share with non-USAA financial companies to service transactions you request.

» OTHER IMPORTANT INFORMATION

Depending on where you live and what products you own, you may receive another privacy notice that describes additional rights.

The USAA Educational Foundation

THE USAA EDUCATIONAL FOUNDATION, A NON-PROFIT ORGANIZATION, HAS THE RESOURCES TO HELP MAKE YOUR LIFE MORE MANAGEABLE.

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WE KNOW WHAT IT MEANS TO SERVE®

Veteran Leader

Brig. Gen. Allan G. Pixton, USA (Ret.)
USAA member since 1941

As a 26-year-old lieutenant colonel, Allan G. Pixton was one of the youngest officers to lead forces during the D-Day invasion of Normandy on June 6, 1944. Today, as a 96-year-old retired brigadier general, he is one of the most senior living officers who survived the largest amphibious military operation in world history.

Pixton joined the Army after graduating from college in 1940. A year later, the Japanese navy attacked Pearl Harbor. The event clarified Pixton's resolve and sense of purpose in the Army. "It was 'I am in, and let's go,'" he says.

During the D-Day invasion, Pixton was the operations officer for the 5th Engineer Special Brigade, which consisted of 2,000 soldiers. Leading as a young officer, he says, was challenging. He remembers fearing for his life and his men's lives as they heard the gunfire and mine explosions. He took cover behind rock formations on Omaha Beach before continuing his charge. "It was chaos ashore, and we each just did what we thought was right," Pixton says.

Underlying the confusion and disorder of the day was a well-laid plan, created by several of the Allied forces' best minds, Pixton says. And it made the difference between winning and losing.

"The most important thing for us to do is to plan and train," he says, about the war and life in general. "When those two things are controlled properly, the rest of it more or less will take care of itself." —ANALISA NAZARENO

Watch a video about Allan G. Pixton's D-Day memories in the digital edition or at usaa.com/magazines.

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