

MQFP® Study Guide 3.1: Transitioning

Learning Objectives:

3.1 Transitioning

- a. Identify the purpose, sections, and key players of the Transition Assistance Program (TAP)

The primary purpose of the Military Transition Assistance Program (TAP) is to assist servicemembers in successfully transitioning from military service to civilian life by providing resources, information, and support for career and personal development.

Sections and Key Players:

Pre-Separation Counseling:

- Purpose: To inform servicemembers about the TAP process and help them develop an Individual Transition Plan (ITP).
- Key Players: Transition Counselors, Command Leadership.

Department of Labor Employment Workshop (DOLEW):

- Purpose: Focuses on employment skills, job search strategies, and connecting servicemembers with potential employers.
- Key Players: Department of Labor Representatives, Employment Facilitators.

Veterans Affairs (VA) Benefits Briefings:

- Purpose: Provides information on veterans' benefits, healthcare, and support services available through the VA.
- Key Players: VA Representatives, Benefits Advisors.

Department of Defense (DoD) Transition Day:

- Purpose: Covers various topics, including financial planning, relocation assistance, and access to military and veterans' services.
- Key Players: Representatives from various agencies, Financial Counselors.

Capstone:

- Purpose: A mandatory final counseling session to review the servicemember's Individual Transition Plan (ITP) and verify completion of required components.
- Key Players: Transition Counselors, Command Leadership.

Exercise 1: TAP Components and Key Players

Identify and describe the purpose of the Transition Assistance Program (TAP), its sections (e.g., Pre-Separation Counseling, Employment Workshops, VA Benefits Briefing, etc.), and the key players involved in delivering the program.

- b. Contrast the life insurance choices available to transitioning personnel and their families

Servicemembers Group Life Insurance (SGLI) coverage ends 120 days after separation. Before SGLI coverage expires, servicemembers and their families should decide whether to continue life insurance coverage and, if so, what type of coverage. For example,

Veterans Group Life Insurance (VGLI) - group term coverage; no medical underwriting required if purchased within 1 year of separation; can be converted to a permanent private policy. However, premiums are higher than SGLI and increase with age.

Commercial Life Insurance - Can be customized to the family's needs; may be cheaper than VGLI; but medical underwriting is required and some servicemembers may have trouble qualifying for coverage

Exercise 2: Life Insurance Choices Comparison

Contrast the various life insurance choices available to transitioning personnel and their families, including Servicemembers' Group Life Insurance (SGLI), Veterans Group Life Insurance (VGLI), and commercial life insurance policies. Discuss the advantages and disadvantages of each option.

c. Describe the process for filing a claim for disability with the Department of Veteran Affairs.

Here's an overview of the key steps:

Determine Eligibility:

- Verify that you meet the eligibility criteria for disability compensation. Generally, veterans with service-connected disabilities are eligible.

Gather Supporting Documentation:

- Collect all relevant medical records, service treatment records, and any other supporting documents related to your disability. This includes documentation of incidents or conditions during your military service that may have led to the disability.

Choose a Claim Method:

- Decide whether to file your claim online through the eBenefits portal, by mail, or in person at a VA regional office. Filing online is often the quickest and most convenient method.

Prepare Your Claim:

- Complete VA Form 21-526EZ (Application for Disability Compensation and Related Compensation Benefits) or use the online application process. Provide detailed information about your disability, its connection to your military service, and any relevant medical evidence.

Submit Your Claim:

- If filing online, use the eBenefits portal to submit your claim electronically. If filing by mail or in person, send the completed form to the appropriate VA regional office.

VA Review:

- The VA will review your claim to determine eligibility and evaluate the severity of your disability. This process may include obtaining additional medical evidence or scheduling a Compensation and Pension (C&P) examination.

Compensation and Pension (C&P) Examination:

- If required, attend a C&P examination. This examination is conducted by a VA healthcare professional to assess the current state of your disability.

Claim Decision:

- The VA will make a decision on your claim based on the evidence provided, including the C&P examination results. You will receive a notification letter outlining the decision.

Appeal, if Necessary:

- If you disagree with the decision, you have the right to appeal. You can submit a Notice of Disagreement (NOD) and follow the appeal process outlined by the VA.

Receive Benefits:

- If your claim is approved, you will begin receiving disability compensation. The amount is determined based on the severity of your disability.

Exercise 3: Filing a Disability Claim

Outline the process for filing a disability claim with the Department of Veterans Affairs (VA), including the required forms, documentation, and steps involved in the claims process.

d. List the role and functions of Veterans Service Organizations.

Veterans Service Organizations (VSOs) play a crucial role in supporting and advocating for veterans, service members, and their families. Their functions encompass a wide range of services and assistance. Here are some key roles and functions of Veterans Service Organizations:

Claims Assistance:

- Role: VSOs assist veterans in filing disability claims with the Department of Veterans Affairs (VA).
- Function: They provide guidance on the claims process, help gather necessary documentation, and advocate on behalf of veterans to ensure fair consideration of their claims.

Benefits Counseling:

- Role: VSOs provide information and counseling on various veterans' benefits and services.
- Function: They help veterans understand and access benefits such as education, home loans, healthcare, and vocational rehabilitation.

Transition Assistance:

- Role: VSOs assist veterans during the transition from military service to civilian life.
- Function: They provide guidance on employment opportunities, resume building, and other resources to facilitate a successful transition.

Employment Services:

- Role: VSOs offer support in veterans' employment initiatives.
- Function: They connect veterans with job opportunities, career counseling, and resources to enhance their employability.

Education Programs:

- Role: VSOs may provide educational resources and programs.
- Function: This includes information on educational benefits, scholarship opportunities, and assistance in navigating the education system for veterans and their dependents.

Exercise 4: Veterans Service Organizations (VSOs)

List and describe the role and functions of Veterans Service Organizations (VSOs), including their mission, services, and assistance they provide to veterans during the transitioning process.

e. Identify and describe common tax scenarios for servicemembers transitioning to civilian life

Severance Pay and Final Pay:

- Scenario: Servicemembers may receive severance pay or final pay upon separation from the military.
- Tax Implications: These payments may be subject to federal income tax. Depending on the circumstances, state taxes may also apply.

Leave Payout:

- Scenario: Unused leave days accumulated during military service may be paid out upon separation.
- Tax Implications: Leave payouts are generally considered taxable income, subject to federal and state income taxes.

GI Bill Education Benefits:

- Scenario: Servicemembers may use GI Bill benefits for education after leaving the military.
- Tax Implications: While the GI Bill itself is not taxable, other education-related benefits, such as the Yellow Ribbon Program, may have tax implications. Additionally, income earned while using the GI Bill may be taxable.

Disability Benefits:

- Scenario: Servicemembers may receive disability benefits from the Department of Veterans Affairs (VA).
- Tax Implications: VA disability benefits are generally not taxable. However, disability severance pay received from the military may be subject to taxation, depending on the circumstances.

Retirement Benefits:

- Scenario: Servicemembers with a military pension may start receiving retirement benefits upon separation.
- Tax Implications: Military retirement pay is generally taxable at the federal level, and state taxes may also apply depending on the state. However, disability-related portions of retirement pay may be exempt from federal income tax.

Job Search Expenses:

- Scenario: Transitioning servicemembers may incur expenses while searching for civilian employment.
- Tax Implications: Job search expenses, such as resume preparation and travel costs for interviews, may be deductible as miscellaneous itemized deductions, subject to certain limitations.

Moving Expenses:

- Scenario: Servicemembers may incur moving expenses related to their transition.
- Tax Implications: While the Tax Cuts and Jobs Act of 2017 eliminated the deduction for most moving expenses, certain exceptions may apply for active-duty military members moving due to a permanent change of station.

State Residency Changes:

- Scenario: Servicemembers may change their state of residence upon transitioning to civilian life.
- Tax Implications: State tax laws vary, and servicemembers should be aware of the tax implications of changing residency, including any tax owed to the state they are leaving and potential tax benefits in their new state.

Exercise 5: Tax Scenarios for Transitioning Servicemembers

Identify and describe common tax scenarios that may apply to servicemembers transitioning to civilian life, including federal and state taxation of military retired pay, taxation of veteran's benefits, state income taxes, and taxation on the sale of a rental property.

f. List the pros and cons of leaving money in TSP vs. rolling it into an Individual Retirement Arrangement (IRA) account

Pros:

Low-cost investment options.
G Fund stability.
Simplicity and convenience.

Cons:

Limited investment options.
Withdrawal restrictions.
No Roth conversion within TSP.

Rolling Money into an IRA:

Pros:

Greater investment flexibility.
More withdrawal options.
Roth conversion opportunities.
Consolidation of accounts.
Estate planning benefits.

Cons:

Possibly higher fees.
Loss of G Fund stability.
Potential for complexity.

Loss of TSP loan option.

Exercise 6: TSP vs. IRA Comparison

List the pros and cons of leaving money in the Thrift Savings Plan (TSP) versus rolling it into an Individual Retirement Arrangement (IRA) account upon transitioning from military service.

g. Explain the disposition of accrued leave during military transition.

Servicemembers may use accrued leave, with approval, or sell back accrued leave.

Exercise 7: Accrued Leave Disposition

Explain the options and considerations for the disposition of accrued leave during military transition, including the choice between taking terminal leave, selling back leave, or a combination of both.

h. Contrast the costs and features of Veterans Group Life Insurance (VGLI) to commercially available term insurance policies.

VGLI death benefit is capped at the maximum of SGLI while commercial insurance policies may offer more flexible benefit options.

VGLI premiums are age based. Although premiums become more expensive over time, VGLI may still be cheaper than commercial insurance policies for older veterans. However, if purchased at a younger age commercial insurance policies may be cheaper over time.

If a veteran signs up for VGLI within 1 year of separation, coverage is guaranteed. Commercial insurance companies will likely require a medical exam and coverage may not be offered to all veterans.

VGLI only offers single life insurance coverage while commercial policies may offer a variety of types of policies, including joint life policies, and other riders the veteran may find useful for their situation.

Exercise 8: VGLI vs. Commercial Term Insurance

Contrast the costs and features of Veterans Group Life Insurance (VGLI) to commercially available term insurance policies, including coverage amounts, premiums, and potential benefits.

i. Explain the considerations for a move during the separation/retirement process.

In general servicemembers have up to 180 days to begin movement from their final duty station. In some cases, an extension can be granted.

The servicemember may select a home anywhere in CONUS or a place OCONUS if the individual entered active duty from that location or the location is their home of record (HOR).

Exercise 9: Considerations for Relocation

Explain the considerations and factors to take into account when deciding whether to relocate during the separation or retirement process, including job opportunities, cost of living, and family considerations.

Quiz: (Multiple Choice)

1. Which program provides transitioning servicemembers with employment workshops and VA benefits briefings?
 - a) SGLI
 - b) TAP
 - c) VGLI
 - d) IRA

2. Which life insurance option is available to veterans after transitioning from the military?
 - a) SGLI
 - b) VGLI
 - c) TSP
 - d) SCRA

3. How can transitioning servicemembers file a disability claim with the Department of Veterans Affairs?
 - a) Through their unit commander
 - b) By contacting the VA by phone
 - c) By completing and submitting the required forms
 - d) By contacting their state's Veterans Affairs office

4. What is the main function of Veterans Service Organizations (VSOs)?
 - a) To provide legal advice

- b) To offer financial planning services
- c) To advocate for veterans and provide assistance
- d) To provide healthcare services

References:

- Transition Assistance Program (TAP), U.S. Department of Labor:
<https://www.dol.gov/agencies/vets/programs/tap>
- Veterans Group Life Insurance (VGLI), U.S. Department of Veterans Affairs:
<https://www.benefits.va.gov/insurance/vgli.asp>
- Department of Veterans Affairs (VA): <https://www.va.gov/>
- IRS Publication 3, Armed Forces' Tax Guide: <https://www.irs.gov/pub/irs-pdf/p3.pdf>
- IRS Publication 523, Selling Your Home: <https://www.irs.gov/pub/irs-pdf/p523.pdf>
- Thrift Savings Plan (TSP), Federal Retirement Thrift Investment Board: <https://www.tsp.gov/>

*Answer Key can be found at: <https://mqfp.org/study-guides/8> *