

Military families need a money plan too

The military provides benefits that you may not find elsewhere, but they come at the cost of uncertainty of life, frequent transfers, early retirement and being a single-income household. That is why it's important for military personnel to set aside some money for emergencies and have a plan

Fill in the gaps to manage your cash flows

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From the outside, life in the armed forces looks privileged: housing is taken care of during service, the Canteen Stores Department (CSD) offers household items, including big-ticket purchases like cars and electronics, at subsidized rates and medical expenditure is covered while you are in service and even after you retire, to a great extent. Then, there is a sizeable pension to make retirement comfortable. But when you consider the fact that signing up for the forces also means signing up to face a bullet or a bomb, or, on a less morbid note, be ready to live in remote locations away from family for prolonged periods, the privileges don't seem abundant.

Though many things work in favour of military personnel from the financial standpoint, that doesn't obviate the need for a financial plan. "Protecting the family financially and planning for life after service are the two main challenges for a military person. Many people in the military are on short service commissions. Other ranks such as jawans also retire early," said Prakash Praharaj, founder of MaxSecure Financial Planners, a financial planning firm.

Here's why it's important for military personnel to have a financial plan and the things they should keep in mind.

NEED FOR A PLAN

A few factors make financial planning important for India's military families. First, many of these are



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Suhas Phatak (top), a retired Air Force officer, says his equity investments helped him achieve some of his financial goals; Suhas Jatkar, a retired Army officer, says his wife couldn't work because he had a transferable job.

of serving personnel because of the serving soldiers' long absences

insurance may not top the charts on insurance requirement.

insurance while in service, but the cover may be insufficient. *Mint*



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Benefits and challenges military personnel and their families face

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Working for the armed forces offers several financial benefits such as defined pension and health insurance, but there are a few challenges as well. We take a look at some of these.

BENEFITS

Defined pension: Working in the armed forces is a government job and you will get an assured pension. It needs to be noted here that since 2004, all government jobs, except defence services, have been moved to a contributory pension system. Military personnel continue to get a defined pension for lifetime after serving for a minimum number of years. Those below the officer rank need to serve for 15 years to be eligible for pension; for officers, the service period needs to be at least 20 years.

The pension amount at retirement is usually calculated

others. The scheme also covers ex-servicemen's dependants, including spouse, parents and children, subject to some income, age and marital status conditions. However, children having a permanent disability who cannot earn a living are covered, irrespective of age. Minor siblings of the ex-servicemen are also covered up to 18 years of age.

These facilities can be availed at all the hospitals owned by the armed forces as well as empanelled hospitals across the country. Also, there is no upper limit to the benefit.

Army canteens: The ministry of defence has a Canteen Stores Department that ties up with manufacturers and provides goods at a discounted price to armed forces personnel. While the discounts have reduced over the past few years with the introduction of taxes on these stores and increase in online discounts, some big-ticket purchases can still be bought at a discount from these stores. For instance, you can get a mid-range sports utility vehicle at a 10% discount



single-income households. For instance, Suhas Jatkar, 57, a retired Army officer who is now settled in Pune, says his wife who was a lawyer by profession couldn't practise law because of the transferable nature of his job. That meant a sacrifice on his wife's part and a single-income household. "The transferable nature of a soldier's job makes it difficult for his wife to settle down and build her own career," Jatkar said. That is why military families are usually vulnerable to loss of the single income they depend on.

Second, fulfilling goals such as holidays, big-ticket purchases and children's education needs planning or such expenses can upset your cash flow. "A lot of financial decisions are taken by the spouses

from home. Without proper financial awareness, they can fall prey to mis-selling," said P.V. Subramanyam, author of *Retire Rich, Invest Rs 40 a Day*, and personal finance trainer.



MILITARY SPECIAL

Third, retirement comes early. "Typically, jawans retire in their mid-30s and officers in their mid-50s," said Jatkar. "Not all of them are able to take up a new career, since they are not trained for the same."

THINGS TO KEEP IN MIND

While financial planning is different for different individuals, the basic tenets remain the same.

This means protecting your wealth is the first box you need to tick. The good news is medical expenditure is paid for, so health

"Armed forces personnel should look at buying a cover for children who have attained adulthood and who will no longer be covered by parents' government-provided health insurance,"

said Yashish Dahiya, chief executive officer, Policybazaar, an insurance aggregator. "In the case of retired individuals, the government-provided health insurance scheme (ex-servicemen contributory health scheme or ECHS) is very good. However, big-ticket top-up plans covering expenses from ₹5 lakh to ₹1 crore can also be very cost-effective and helpful," he added.

Military personnel have life

Military personnel have life insurance while they are in service, but the cover may be insufficient

spoke to some retired officers at different ranks who indicated that the life insurance cover depends on the rank and ranges from ₹50 lakh to ₹75 lakh. Financial planners advise a term insurance policy to supplement this cover. "Military officers need to top up on life insurance to ensure they are well insured. In addition, they should look at personal accident plans and critical illness cover, especially for diseases where treatment is needed abroad," said Dahiya.

The next step is to create an emergency corpus. A thumb rule

as 50% of the last drawn salary.

The pension continues for the spouse and dependants even after the death of the pensioner, subject to age and income conditions. The pension in such cases is capped at 30% of the last drawn salary.

Health insurance: Healthcare facilities, including hospitalization for serious ailments, is provided for serving personnel and their dependants. For places where the facilities do not have specialist healthcare services, healthcare expenditure done elsewhere is reimbursed by the government.

For retired personnel of the armed forces, there is an ex-servicemen contributory health scheme (ECHS). Retiring personnel need to pay a lump sum to join the scheme. The lump sum amount is ₹1.2 lakh for officers, ₹67,000 for junior commissioned officers (JCOs) and ₹30,000 for jawans. The scheme is available for all ex-servicemen, including those from the Army, Navy, Air Force and Indian Coast Guard, among

to the actual market price.

CHALLENGES

Many serving personnel find it difficult to get an official family accommodation in metros like Delhi, Mumbai or Hyderabad. Similarly, changing schools mid-term due to transfers is a major challenge that the armed forces personnel face.

Another challenge could be in getting a life insurance policy if the person is posted in a troubled area. Contrary to popular belief, armed forces are, typically, considered a good risk from an insurance standpoint given that they need to keep fit and insurance companies don't load premiums when issuing a policy to them. However, there could be exceptions. Financial planners we spoke to said that some of their clients who are in the armed forces faced difficulties in getting a life insurance policy when they were posted in troubled areas. It is, therefore, advisable to buy life insurance as soon as you realise you have financial dependants.



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