



AFSC Benefactor

Brad Snyder Bids Farewell as President and CEO



We've heard for years that "all good things must end." I just didn't think it applied to me! But wisdom brings the acceptance that some things are not meant to last forever, including my own tenure with AFSC.

I have recently retired from my duties as President and CEO. I will continue part-time as President Emeritus and as a Board member. I look forward to continuing to be involved in helping people who have a need for what AFSC does, and helping AFSC find new ways to touch more lives.

Clearly, this change does not come without a great degree of nostalgia and reflection on my past 40+ years serving members and spouses of both Army & Air Force Mutual

Aid Association (AAFMAA) and AFSC. Nothing has given me more pride and personal satisfaction than helping to create and nurture the essence of what we do for our members. I am grateful for the opportunities I have had to serve our members and families.

To all my long time friends, colleagues, co-workers and business partners, I thank you deeply for all the help, gratitude, and support you have given me over the years. You will always be warmly remembered. If you're ever in the area, you can find me here at AFSC still doing what makes me feel best.... serving the needs of America's real heroes and their families.

Bradley J Snyder

Brad Snyder – On to Another Winning Chapter

In a series of exceptional stages, the first great event for Brad Snyder was meeting Lorene, who remains the co-hero of an exceptional life. He graduated from the Citadel and was commissioned in 1962. 1965 saw him severely wounded in Vietnam – on duty up front, completely in character.

Retired medically from the Army, Capt. Snyder was enticed into the Army Mutual Aid Association and quickly became the bright new addition, putting out fires among the membership. Over thirty years later, under Brad's tireless leadership, AFSC has become the trusted leader in survivor services and bene-

fits counseling.

Anyone in the Department of Defense who has dealt with a high visibility disaster in recent decades knows Brad Snyder. They know him because his telephone number is the only one leading to the immediate financial information a grieving survivor really needs. The formal process takes weeks of work involving the Department of Defense, the Department of Veterans' Affairs and the Social Security Administration. After 9/11, as individual deaths were verified, grieving spouses, often with children in tow and minds full of doubt about house and car payments and children's education, were

taken to Brad Snyder. In minutes they had exact answers.

Brad Snyder is a uniquely gifted, compassionate man of rare integrity and habit of service. His empathy and practical help for our serving military members and their survivors is legend. All of us fortunate enough to be with him on the AFSC Team he built salute him. Three cheers to you, Brad, and our best wishes for another productive, satisfying chapter for you and Lorene.

*Board of Directors
AFSC*

How to Contact AFSC

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New Extended Tricare Eligibility for Children

Under provisions of the FY2006 National Defense Authorization Act signed into law on January 6, 2006, minor children and unmarried dependent children remain in transitional survivor status, at the active duty payment rate, until they reach age 21, or up to age 23 if they are enrolled full-time in a secondary school or institute of higher learning (and if, at the time of death, they relied on their sponsor for more than 50% of their financial support). These children remain transitional survivors until they reach the eligibility age limit, marry or otherwise become ineligible for TRICARE.

Children and unmarried dependent children incapable of self-support because of mental or physical disability (incapacitated) remain in transitional survivor status for the longer of: (1) three years from the sponsor's death; (2) attains age 21; (3) or up to age 23 if they are enrolled full-time in a secondary school or institute of higher learning (and if, at the time of the sponsor's death, they relied on their sponsor for more than 50% of their financial support). This includes benefits under the Extended Care Health Option (ECHO) and TRICARE Prime Remote for Active Duty Family Members programs, if enrolled. Children are treated as active duty family members for purposes of enrolling in TRICARE Prime at military hospitals and clinics. There are no fees or premiums

for active duty Prime enrollment at military facilities.

The new change is retroactive to include surviving children of service members who have died on active duty since October 7, 2001. The new



law does not change the TRICARE eligibility for surviving spouses. Spouses retain TRICARE Prime benefits as active duty family members for three years from the service member's

date of death and then switch to the retiree rates and eligibility. Remarriage of the surviving spouse terminates their TRICARE eligibility, but not that of the children.

Many of our surviving spouses were enrolled in TRICARE Prime. Some passed the three-year coverage period and had to enroll in Prime at the retiree rate of \$230 per year for the spouse and an additional \$230 per year for dependents. TRICARE began mailing notices to spouses in late October on how to obtain refunds for the excess enrollment fees. More information can be found on the TRICARE web site at <http://www.tricare.osd.mil/survivors/default.cfm> or call the AFSC Family Assistance Department at 1-888-237-2872.

Money Matters

(Information for Your Financial Health)

HEROES Act changes rules for IRA contributions for service members in combat zones

Thanks to a new law passed 26 May 2006, members of the Armed Forces can now base their individual retirement account (IRA) contributions on combat pay. In the past, service members whose wages consisted solely of tax-free combat pay were prohibited from making contributions See **HEROES**, page 3 column 1

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to IRA's. Under Public Law 109-227, referred to as the Heroes Earned Retirement Opportunities Act, the Internal Revenue Code of 1986 was amended to allow members of the Armed Forces serving in a combat zone to make contributions to their individual retirement accounts. The new provision is retroactive to 2004. This means that if you received combat pay after Dec. 31, 2003, and before Jan. 1, 2006, you will have until May 29, 2009, to make a contribution to an IRA. Retroactive contributions made by this date will be treated as if they were made prior to the end of the tax year to which the contribution applies (2004 or 2005). Contributions can be made to both traditional and Roth IRAs.

No extra funds to contribute to your IRA? Grandparents and other interested persons can gift the desired funds to the service member for the IRA contributions. The maximum contribution for 2004 was \$3,000 (plus another \$500 if age 50 and older) and \$4,000 for the year 2005 (plus \$500 if age 50 and older). The limit for 2006 is \$4,000 (plus \$1,000 if age 50 and older).

Upcoming SBP Entitlement Increase

Effective 1 April 2007, the continued "phase-out" of the "Social Security Offset" (reduction to SBP benefits for annuitants age 62 and over) will increase the current 45% annuity rate to 50%. The increased SBP annuity will be deposited on 1 May 2007. The final increase in the entitlement percentage will occur on 1 April 2008 when all annuitants will reach the maximum 55% annuity payments.

Change to "Child-Only" SBP Option

Recently passed legislation now allows surviving spouses of service members who died on active duty after 7 October 2001, but before 24 November 2003, to request their SBP election be changed from "Spouse" to "Child Only". The SBP annuity under the "Spouse" option is off-

set by the *spouse's entitlement* to Department of Veterans Affairs Dependency & Indemnity Compensation (DIC), often resulting in the reduction or total elimination of the SBP annuity for the spouse. The SBP for children under the "Child Only" option is *not offset* by DIC, thereby providing an SBP annuity to the children which may have been reduced or eliminated had it been under the "Spouse" SBP option. In November 2003, new legislation allowed spouses to begin waiving their entitlement to "Spouse" SBP and elect the "Child Only" benefit. The 2006 law change now provides the opportunity for surviving spouses of active duty deaths that occurred between 7 Oct 01-24 Nov 03 to switch from the "Spouse" option to the "Child Only" option. The "Child Only" annuity will be payable the month following the date of application (is not payable retroactive to the date of the service member's death).

AFSC strongly recommends surviving spouses who are considering changing their SBP election from "Spouse" to "Child Only", to contact a military Retired Services Office and/or AFSC for additional information and counseling on this option as other significant factors may impact your decision and should be taken into consideration.

Annual Cost of Living Increases

Each fall, Congress authorizes Cost of Living Allowances (COLAs) for the coming calendar year for retirees and those receiving disability and survivorship benefits. The following cost of living increases are effective 1 December 2006 and payable 1 January 2007, unless otherwise indicated.

Benefit	Increase
Military Retired Pay	
◆ Retired prior to 1 Jan 2006 under the final pay formula	3.3%
◆ Retired on or after 1 January 2006 and who first entered military service before 8 Sep 1980	2.8%
◆ Retirees receiving retired pay under the High-3 average formula and who retired in 2006 receive a partial COLA based upon the calendar quarter in which they retired:	
◆ Jan-Mar	2.8%
◆ Apr-Jun	2.4%
◆ Jul-Sep	0.6%
◆ Oct-Dec	0.0%
Military Survivor Benefit Program (SBP) Annuitants	3.3%
Veterans Affairs	
◆ Dependency & Indemnity Compensation (DIC)	3.3%
◆ Disability Compensation	3.3%
◆ Dependent Education Assistance (DEA) - <i>effective 1 Oct 06</i>	\$860 per month
Social Security	3.3%

AFSC and Merrill Lynch Alliance: Retirement Planning

The Armed Forces Services Corporation formed an alliance with The Cammiso Group at Merrill Lynch in Vienna, Virginia, in April, 2003 to be able to offer financial planning and investment management services to its members. Throughout the past three years, this new program has been rolled out through financial planning-based seminars. We are now pleased to introduce the inclusion of a financial column in the AFSC newsletter.

Throughout the past three years, some similarities among Armed Forces Services Corporation members have come to light from a financial perspective. The very large majority of members are concerned with outliving their assets in retirement, protecting their surviving spouse in the event of death or mental incapacitation, and protecting their wealth through proper diversification.

Looking at the top priority, the traditional concept of retirement has changed. There is a definite shift from planning for a traditional retirement of leisure to a new retirement centered around continued work. Military families are no different, often retiring from active duty directly into a new career, which poses some interesting challenges in reference to taxes, and from there moving into a final retirement.

This final retirement phase for military families has its own unique issues. For example, what is the best way to withdraw funds from investments to supplement pensions and social security payments? Is it a good idea to pay off a mortgage immediately or continue to take a tax deduction on the interest? How does one calculate their mandatory required distribution from their retirement accounts at 70 ½? What is the best way to pass money on to children or other beneficiaries? The answers to these questions are different for each family.

There are four steps to retirement planning.

1. Create a written financial plan that incorporates all of your short- and long-term goals, including retirement goals. Your retirement goals need to be attained while simultaneously planning for and meeting all short-term goals.
2. Create an asset allocation policy. How much of your portfolio should be in stocks, bonds, cash and alternative investments? And more importantly, when the market shifts, what will trigger the rebalancing between these assets classes? Create your own personal hurdle rate, or the rate of return that your family must achieve on an average annual basis to reach your goals.

3. Build your portfolio based on the asset allocation model that you have created. What specific stocks, bonds, mutual funds, or institutional money management should comprise your portfolio to give you broad diversification? Remember that your military pension is a source of income; it may not be ideal to use your pension as the “bond” part of your portfolio, as it could expose you to unnecessary risk.
4. Perhaps most importantly, review and rebalance your portfolio. Review your performance quarterly and annually against your hurdle rate and make adjustments as necessary. Have a definitive rebalancing strategy, and do not deviate from it.

Our idea of retirement in the United States has changed. We need to be able to adapt accordingly. Our goal within this Alliance is to continue to educate and serve the members of the Armed Forces Services Corporation and arm them with the information and tools necessary to address many of these critical personal financial issues.

AFSC members who reside in Virginia, Maryland or the District of Columbia who wish to take advantage of the services offered through Merrill Lynch should visit the AFSC website at www.afsc-usa.com or call the AFSC hotline at 866-729-0841.

*by Sarah A. Cammiso, CIMA, WMA, VP, PIA
Portfolio Manager, Merrill Lynch*

Reminders



- ◆ Dependent spouses and surviving spouses age 75 and older may now obtain the new permanent military ID card. If your card has already expired or is about to expire, renew it to update your status in the DEERS system and to retain your TRICARE for Life benefits and prescription drug eligibility. The nearest ID card issue facility can be found at: www.dmdc.osd.mil/rs1/owa/home, or you are welcome to contact AFSC for assistance.
- ◆ Members frequently overlook updating beneficiary designations when a Trust is amended, restated or revoked because of a change in family status. Review your beneficiary designations on all of your policies to be sure they are current and reflect your wishes.

Upcoming Changes to Military Pay (Active Duty and Retired)

The National Defense Authorization Act for Fiscal Year 2007 (P.L.109-364) has several new changes that will impact active duty service members and those who plan to retire after 1 January 2007.

For retirements after 1 January 2007, service members will continue to earn 2 ½ % per year towards the multiplier used in computing the military retired pay for service beyond 30 years. Previously, retirees were capped at 75% when they reached 30 years of service. The new law also increases the Executive Level pay cap on basic pay for General Officers (O-7 thru O-10) from Level III to Level II of the Executive Schedule. The changes do not affect anyone who retired prior to 1 January 2007.

Effective 1 April 2007, the pay tables will include new longevity steps for years of service for base pay. Previously, the pay tables' last longevity step was for "over 26 years service." The pay tables will now include longevity step increases out to 40 years of service. Those most affected by this change are higher grade officers, warrant officers and senior enlisted grades. The April 2007 pay tables will also include targeted pay increases for selected enlisted grades and warrant officers.

The retired pay calculations for General and Flag Officers who retire after 1 October 2006, will no longer be subject to the Executive Level pay cap that is imposed while on active duty.

Medicare for 65 year old Workers

Questions often arise about what to do about Medicare when you are approaching 65 and you are still working. Medicare entitlement begins on your 65th birthday regardless of your Full Retirement Age (FRA).

Even if you keep working after you turn 65, you should still sign up for Medicare Part A (hospital insurance). If you have health coverage through your employer, Part A may help you pay some of the costs that are not covered by your group health plan. For most, there are no premiums for Part A enrollment.

You may want to wait to sign up for Medicare Part B (outpatient and physician services) if you or your spouse are working and have group health coverage through the employer. Factoring in the monthly Medicare Part B premium, Part B benefits may be of limited value to you as long as the group health plan is the primary payer of your medical bills.

For military retirees and spouses age 65 and over, TRICARE for Life (TFL) entitlements include low cost prescription drug benefits. You must first be enrolled in Part B to access any TRICARE benefits once over age 65.

For more information, read the publication "Medicare and Other Health Benefits: Your Guide to Who Pays First" at: <http://www.medicare.gov/Publications/Pubs/pdf/02179.pdf>. You may also call AFSC and ask for a counselor to assist you.

Combat Related Special Compensation (CRSC) & Concurrent Retired and Disability Pay (CRDP): Understanding the Difference

Since the 1930s, Congress has prohibited the dual receipt of military retired pay and disability benefits for a service connected injury or illness. The intent and design of CRSC and CRDP is to partially or totally restore military retired pay reduced by VA disability compensation. Retirees must have qualified for a 20 year retirement to be eligible for either CRSC or CRDP. Because eligible retirees may elect only one or the other, it is important to understand the differences between these two programs.

Concurrent Retired and Disability Pay (CRDP) allows a 20 year retiree with a VA disability rating of at least 50% to receive some or all of retired pay and VA compensation at the same time. If the rating is 100%, full concurrent receipt began in January 2005. For those with ratings between 50 and 90%, concurrent receipt is phased in over a ten- year period beginning in 2004. This benefit is automatic requiring no application. The restored retired pay is usually taxable.

Combat Related Special Compensation (CRSC) allows a 20 year retiree to receive full retired pay and VA compensation for medical conditions determined to be "combat related." The VA rating may be as low as 10%. This benefit may be retroactive to June 2003 and it is non-taxable. Application is required. More information on how medical conditions may be considered "combat-related" (they need not be in actual combat) is available on the Army website: www.crsc.army.mil or call AFSC for more details and assistance with filing a claim.

Medicare Part B Premiums To Be “Means-Tested” in 2007

Beginning in 2007, some seniors will be required to pay higher premiums under a new means test based upon adjusted gross income (AGI). Adjusted Gross Income is your total income from all sources, less certain adjustments, and is usually the bottom number on the front side of your 1040 tax return. The regular Part B premium will increase from \$88.50 per month to \$93.50 in 2007.

The Centers for Medicare and Medicaid Services (CMS) has published a detailed Fact Sheet on this topic on the internet at the following web site: <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1958>. Members without internet access may call (202)690-6145 to have a copy sent to them or you may contact AFSC for additional information.

Individual tax return with income:	Joint tax return with income:	Income-related monthly adjustment amount	Total monthly Part B premium amount
Less than or equal to \$80,000	Less than or equal to \$160,000	\$0.00	\$93.50
Greater than \$80,000 and less than or equal to \$100,000	Greater than \$160,000 and less than or equal to \$200,000	\$12.30	\$105.80
Greater than \$100,000 and less than or equal to \$150,000	Greater than \$200,000 and less than or equal to \$300,000	\$30.90	\$124.40
Greater than \$150,000 and less than or equal to \$200,000	Greater than \$300,000 and less than or equal to \$400,000	\$49.40	\$142.90
Greater than \$200,000	Greater than \$400,000	\$67.90	\$161.40