

To Your Health & Wealth in 2005

By LT Marc J. Soss, SC, USNR



With April 15th (income tax filing deadline) quickly approaching, it is important to make two of your new year's resolutions stick throughout the year (statistically, only 12 percent make it through the year). The first resolution is to be more aggressive saving for retirement (the national savings rate is less than one percent), and the second resolution is to get into better physical shape (31 percent of adults and 17 percent of children are seriously overweight). The following is a brief view of the options still available on your 2004 income tax return and available for the remainder of 2005.

Retirement Accounts

Individual Retirement Account:

IRA contributions fall into two categories (deductible and non-deductible). Deductible contributions are subject to various limitations (filing status and "Modified Adjusted Gross Income") that will affect your ability to deduct all, part, or none of the contribution.

Individuals are eligible to make contributions up to \$4,000 (plus a \$500 makeup allowance for those over the age of 50) for each spouse (including a nonincome-producing spouse) as long as the combined compensation of both spouses at least equals the contributed amount. The deadline for making your 2004 contributions is 14 April 2005.

401(k) & 403(b) Plans:

401(k) and 403(b) plans (named after their respective tax code section) are employer (profit and nonprofit) established plans. Pursuant to the plan and its respective limitations, you can set aside a percentage of your pretax salary. Your and any employer contributions will grow tax-deferred until withdrawn. The IRS established maximum contribution amount for 2005 is \$14,000. Additionally, if you are age 50 or older, you are allowed to make catch-up contributions of \$4,000.

Unless you were recalled to active duty in the military and meet certain criteria, it is too late to make up for any 2004 contribution shortfalls. However, depending upon your plan limitations, you may be able to maximize your contributions in 2005.

Thrift Savings Plan:

Members of the Reserve are eligible to make tax deductible contributions to a Thrift Savings Plan (TSP). The eligible contribution amount is based upon the applicable annual IRC contribution limit (\$14,000 in 2005) and changes annually. If you are over 50 years of age, you may also make an additional catch-up contribution of \$4,000. Contributions may be made from basic pay, and incentive or special pay (including bonus pay).

Health Care (Financial)

Flexible Spending Account:

These accounts come in two types: (1) health care (insurance deductibles and copayments); and (2) dependent care (daycare or baby-sitter fees). Funds, up to a maximum of \$5,000, may be placed into the account through pretax payroll deductions. Account funds must be spent by year end or they are lost and subject to use by your employer to offset future administrative expenses.

Health Savings Account:

This is a special type of account for individuals covered by a High Deductible Health Plan (HDHP) and not other health insurance, eligible for Medicare, or eligible to be claimed as a dependent on another's tax return. The account has a minimum deductible of \$1,000 (self-only coverage) or \$2,000 (family coverage). Account contributions, if made by the individual, are an "above-the-line" tax deduction and, if made by an employer, are not taxable to the employee.

The maximum account contribution amount is the lesser of the deductible amount under the HDHP or \$2,600 (inflation adjusted) for individuals or \$5,150 (inflation adjusted) for family coverage. Unused funds invested into the account roll over year after year. At age 65, the funds can be withdrawn for health expenses and insurance premiums (Medicare Parts A & B, Medicare HMO, and the employee's share of retiree medical insurance premiums). Individuals 55 and older may also make an additional \$600 catch-up contribution.

Health Care (Dietary)

The medical experts are of the opinion that everyone should drink between two quarts to a gallon of water a day and avoid all soft drinks. Eating well does not require you to starve yourself but simply eat healthier foods (fruits, vegetables, and lean meats cooked by methods other than frying) with fewer calories.

Exercise

The benefits of an exercise plan (walking, biking, calisthenics, or swimming), in addition to passing your semiannual physical fitness test (PFT) and a higher overall quality of life, include a reduced risk for several diseases and health conditions. Regular physical activity can help protect you from the following health problems: (1) heart disease and stroke (by strengthening your heart muscle); (2) high blood pressure; (3) high cholesterol; (4) diabetes; (5) obesity; and (6) stress. These reasons alone should be enough to get you off the couch and into the gym or outdoors.

Conclusion

Now that you know the basics, it's time to put your health and wealth savings plan into action. No more excuses as we are only talking about exercise and money. ☺

For What Billets Should I Apply?

By CAPT Richard Robey, USNR

I get asked by junior officers about this time every year when the APPLY process begins, “*For what billets should I apply?*” This seems like a simple question.

As a junior officer, you need to establish your professional goals in the Navy. We have always been taught to strive for command, particularly at the O-5/O-6 level. This is a worthy goal. You also must understand what is expected of you in your given warfare community since you must compete for promotion within that community.

When I entered the Naval Reserve as a newly appointed O-4, I had no real long-term goals except to do 20 good years and obtain retirement eligibility. By chance, when I affiliated with the Naval Reserve, I was assigned to MIUWU 112 under the leadership of then Commander Stanton Thompson. Shortly after I reported onboard, now RADM Thompson sat me down and asked me what I expected to get out of my Naval Reserve career and this unit. I told him I did not really know except I desired to serve in a unit that has a mission. That is when he told me, back in the fall of 1988, that his goal was to become an admiral. You have to have a long-term objective and then work towards it. He said to think about it and come up with a personal career plan. He also told me to find two or three senior officer mentors, including one in my warfare specialty (submarines), and get their counsel periodically on my plan.

It took me a couple of years, along with an activation back to active duty for Operation DESERT STORM I, finally to map out my career plan. This is the plan I still work today. My main objective was to make O-6 and have a major command, specifically Commodore, Naval Inshore Undersea Warfare Group ONE (NCWG-1). Once I set that objective for my career at year 22, I was then able to determine what skills and experience I needed to obtain over the next ten years in order to achieve this milestone. After much discussion with several of my mentors, I then set as goals those intermediate billets I needed: CO submarine support unit, CO MIUWU, major fleet submarine staff, IUW staff, and CO major fleet headquarters staff unit. I figured if I did this, then I would make O-6 and be competitive for the CO NIUWG-1 billet.

I referred to my plan prior to each APPLY season when I was preparing to apply for a new billet. I would adjust my plan as needed based on any number of personal or professional factors and find those billets that best fitted my career needs. Over the next ten years, I was able to achieve my goal pretty much as my plan had predicted. I relieved as the Commodore of Naval Coastal Warfare Group ONE, the successor to NCWG-1 within one year of my ten-year-old plan. During this period, I also had command at every pay grade – another goal I had set.

Once I made my initial plan back in 1991, the intermediate assignments were fairly easy to select because I knew what skill and experience I was trying to obtain in the next two-to-three years step. There was enough flexibility built into the plan to allow for different positions to achieve the goal. I did not restrict myself just to one billet at each step. When I did apply for a new billet, any of my top five picks would have satisfied my criteria to go to the next step. I knew that I had a high probability of getting one of my five top picks, if not my first or second one.

The cornerstone to my successful plan was the key mentorship I received from RADM Thompson back in 1988 and the many mentors and friends I have used over my career. When I first wrote my plan, I did not know if I could reach my goals or not. I did work my plan over the years and I let my mentors know along the way what my short- and long-term goals were. It is their invaluable assistance to help me in my career planning that made my plan achievable. My case is not unique. You can ask any senior officer what plan did he/she use to get to his/her position today. Each one will tell a similar story but just on a different path. It is the journey that is fun.

When you ask me today for what billet should I apply, I will ask you to review your Naval Reserve career plan with me. I recommend that you map out your plan to your projected retirement date whether you think you will retire as an O-6 or O-9. Once you have a written plan, then we can discuss those five billets that best meet your criteria to move forward on this APPLY cycle. Good luck with the FY-06 APPLY process as I know each of you will find the success you are striving for in your career. 🚩