



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest, [Investor.gov](https://www.investor.gov)

Making the Most of Military Benefits and Lump Sum Payments



Service members or dependents may receive one-time lump sum payments for injuries, loss of life, insurance, or lawsuit proceeds. These payments can replace lost future income, so it's important to take steps to ensure they provide a long-term benefit for your family, such as by reducing debt or bolstering savings and investments. To make the most of military benefits and lump sum payments, the U.S. Securities and Exchange Commission's (SEC) Office of Investor Education and Advocacy and the Financial Industry Regulatory Authority (FINRA) encourage you to consider these tips.

1 Pay Off High-Interest Debt

Paying down high-interest debt, like credit cards or payday loans, is one of the best "investments" you can make because the interest rate you pay is usually significantly more than the return you're likely to receive from an investment. One strategy is to pay off the highest interest rate cards first and work your way down.

2 Start an Emergency Fund

An important step to begin building wealth is to have a "rainy day fund" for unexpected expenses. Having an emergency fund with a bank or credit union can make it less likely that you'll go into debt if, for example, your car needs a repair or your phone screen cracks. An emergency fund will give you a cushion of financial protection against the unexpected.

3 Begin Making Regular Contributions to an Investment

Money in the bank is useful to pay bills and serve as an emergency fund, but investments usually give you a better opportunity for growth over time.

ABOUT US

The U.S. Securities and Exchange Commission (SEC) is a federal agency with a three-part mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC's Office of Investor Education and Advocacy is dedicated to serving the needs of individual investors. Its website for the military, [Investor.gov/Military](https://www.investor.gov/military), is an online resource that can help you make sound investment decisions and avoid fraud. SEC staff regularly support military installations around the world with free financial readiness briefings and resources. For information, email Outreach@SEC.gov.

The Financial Industry Regulatory Authority (FINRA) is dedicated to investor protection and market integrity through effective and efficient regulation of broker-dealers. FINRA is not part of the government. FINRA is a not-for-profit organization authorized by Congress to protect America's investors by making sure the broker-dealer industry operates fairly and honestly. FINRA and the FINRA Foundation do not sell investment products, promote products or firms, or offer specific investment advice. For more information and resources, visit [FINRA.org/military](https://www.finra.org/military).

- Before investing, define your most important short, medium, and long-term financial goals, and set up savings or investment accounts to align with those goals. Choose investments suited to meeting each of your goals based on your time frame and tolerance for risk. Learn more at Investor.gov's [Introduction to Investing](#).
- Some types of investment accounts have tax advantages. These include [individual retirement accounts \(IRAs\)](#) and workplace retirement plans, such as the [Thrift Savings Plan \(TSP\)](#) and civilian [401\(k\)](#) accounts. TSP/401(k) contributions must come from payroll, not from your lump sum, but your employer might match your contributions up to a certain percentage. If they match, that's free money for you. Other investments that may offer tax advantages include [529 College Savings Plans](#) and [ABLE Accounts](#) for disabled dependents.
- Understand that all investments carry some degree of risk, so avoid putting all of your eggs in one basket. While tax advantages make IRAs and 401(k)s a common starting point for many investors, there are many other investments that can be part of a diversified portfolio, including [mutual funds](#) and [exchange-traded funds \(ETFs\)](#), [I-bonds](#) or other [U.S. savings bonds](#), and [certificates of deposit \(CDs\)](#) from banks or credit unions that might offer increasingly higher interest rates for longer-saving commitments. Learn more about investment products at [Investor.gov](#) and [FINRA.org](#).
- Pay attention to fees. As with anything you buy, there are fees and costs associated with investment products and services. **These fees might seem small, but over time they can have a major impact on your investment portfolio.** Find out what you may be charged by reading what your investment professional provides you—and by asking questions. Learn more at Investor.gov's [How Fees and Expenses Affect Your Portfolio](#). Try out [FINRA's Fund Analyzer](#) to compare fees and analyze information on over 30,000 mutual funds, ETFs, exchange-traded notes (ETNs), and money market funds.

4 Invest in Yourself – Increase Your Earning Potential

A lump sum payment not only allows you to save and invest money, but it might empower you to invest in yourself. Consider improving your academic or professional credentials by getting a GED degree, college degree, or technical skills/trade certification that could lead to a higher paying job over the long term.



5 Seek Guidance, Starting With Your Family Readiness Center

As service members or dependents, you have access to free financial counselors at your installation's family readiness center, including personal financial managers and personal financial counselors. [MilitaryOneSource](#) provides additional financial resources.

Investment professionals can also help with financial planning. Understand the differences between [types of investment professionals](#) so you can decide which type is right for you. Always ask questions about the services they offer (and don't offer) and how they're paid. Before you consult any investment professional, make sure they're licensed and registered. Visit [Investor.gov](#) and [FINRA BrokerCheck](#) to confirm their registration status and research their disciplinary history.

6 Avoid Fraud - Do Your Research and Take Your Time

Scams are everywhere, and some of them target the military. Do your research before investing and seek out unbiased resources (sources not trying to sell you something—and who don't get paid to tout a company or concept). Learn to spot red flags of fraud (like promises of high returns with little or no risk) and never be pressured to make—or to rush—an investment decision. [Investor.gov](#) and [FINRA.org](#) have free resources and tools to help.

7 Exercise Caution if Considering Crypto Assets

Investments in crypto asset securities can be exceptionally volatile and speculative. The platforms where investors buy, sell, borrow, or lend these securities might not be complying with applicable law, including federal and state securities law. As a result, investors using these platforms might lack important protections. Unregistered offerings in crypto asset securities may not provide important information investors need to make informed decisions, including audited financial statements. Crypto asset securities-related investments continue to be replete with fraud and outright theft. **The risk of loss remains significant, and the only money you should put at risk with any speculative investment is money you can afford to lose entirely.** Learn more about crypto asset risks at [Investor.gov](#).

8 Be Diligent When Using Financial Technology Products and Services

Financial technology, or fintech, is a quickly growing sector within the financial services industry. Mobile apps designed to assist individuals with investing, budgeting, borrowing, and other financial needs have grown in popularity.

Here are four considerations for choosing a fintech app or website:

- Determine the purpose of the app and whether it suits your needs. For example, some are better suited for experienced investors who are used to making investing decisions on their own. Others cater more to novices and offer more support and education tools. And some apps might nudge you in a way that leads to more frequent trading. Research has generally shown that frequent trading is more harmful than helpful to your investment returns over the long term.
- Pay attention to fees and associated costs. Some fees might not be immediately clear, and some free apps might try to steer you toward other products, like loans or credit monitoring services, that may require payment.
- Exercise common sense and caution, as with any other online experience. This means using a secure network, safeguarding passwords, and opting into multifactor authentication.
- Pay attention to how much of your information and data the app is able to access. Some apps will aggregate all of your financial accounts onto their platform and maintain this information. This can be a convenient way to manage your money, but it also leaves you vulnerable if the app is hacked or its security is compromised.

Additional Resources

- [Investor.gov/military](https://investor.gov/military)
- [Finra.org/military](https://finra.org/military)
- [MilitaryOneSource.mil](https://militaryonesource.mil)
- [TSP.gov](https://tsp.gov)
- [Finred.usalearning.gov](https://finred.usalearning.gov)

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