Before the Corps' Marine Millionaire Guide

Table of Contents

Why did you make this guide? Why is it free?

Here at Before the Corps, we spent a lot of time training to become and being Marines. From our experiences, conversations with many of our own mentors throughout our service, and even formal training from the Marine Corps Command Financial Specialist training program, we have realized just how easy it is to become wealthy as a Marine.

What we also realized was how few Americans, especially Marines, have any type of financial education. This led to us having Marines in our care who had financial problems for no reason other than their own lack of financial education.

Many Marines leave after four years and return to civilian life, while others will make a career of military service. Regardless of how long you wear the uniform, we believe you have earned the right to have a strong financial education. We think that all Marines should have the opportunity to become millionaires and developed this guide for you.

What is this guide?

This guide is a template for turning your Marine Corps paycheck into long lasting wealth. It's broken into parts based strictly on budgeting, 401K planning and IRA investing (using your TSP and IRA accounts), real estate investing with your VA Loan, and other income investing.

The basics of this guide are based on using your TSP.

Who is this guide for?

This guide is for any Marine, lifer or not, who wants to learn how to make themselves wealthy. This guide does not differentiate between officer and enlisted. We will run the numbers for enlisted in our examples, but have included an officer guide in the back.

How does this work?

The basic concept is the use of compound interest and using non-taxable assets. These two factors are the foundation of any wealth building program.

Compound Interest

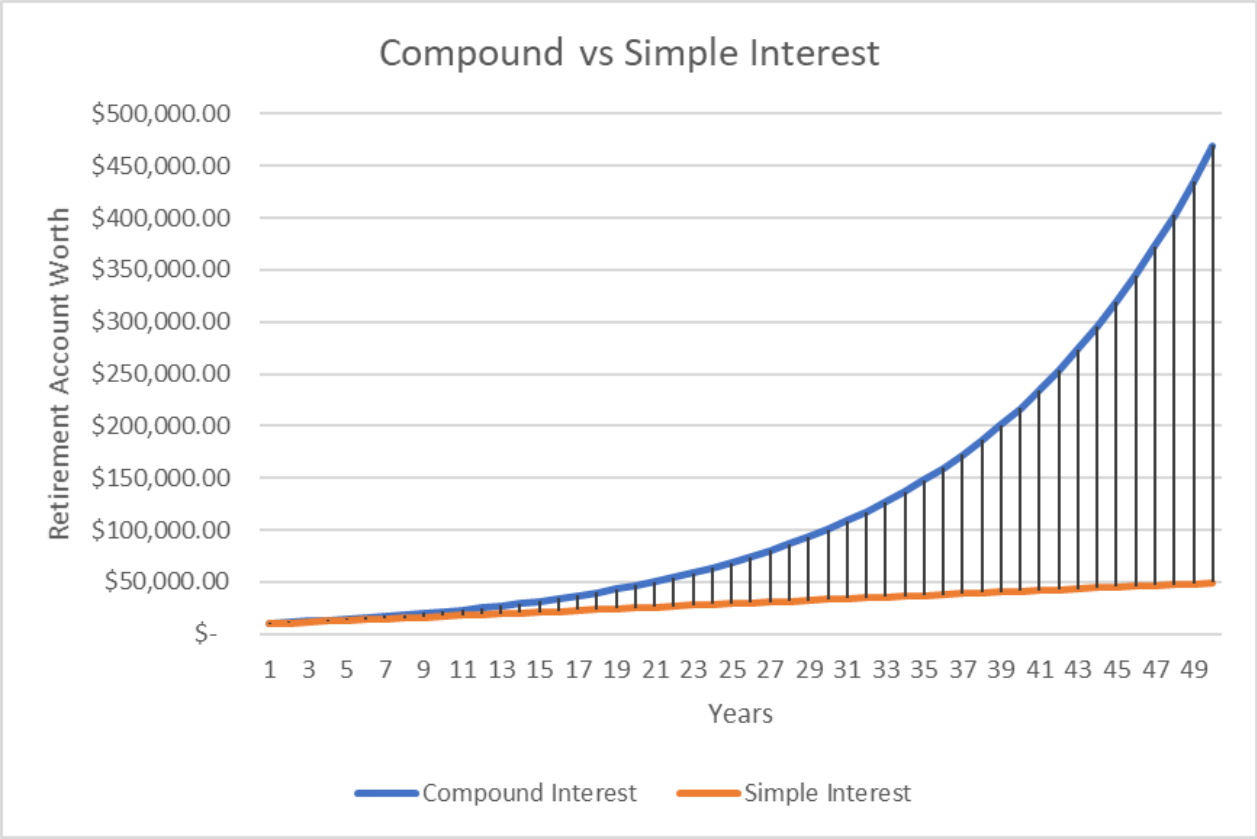
Compound interest essentially means "interest on the interest" and is the reason many investors are so successful. It is different than the concept of simple interest, which is only a flat amount of interest on a principal amount.

Let's say you invest $10,000 at 8% simple interest. This means that after the first year, $800 is added to your account. In the second year, another $800 in interest is paid, and the same with the third year, fourth year, and so on.

If your investment paid 8% compound interest on an annual basis, it wouldn't make a difference at first. After the first year, you'd receive the same $800 interest payment as you would with a simple interest calculation. However, this is where it starts to get very different.

In the second year, your 8% interest is calculated on your entire new balance of $10,800, not just your original $10,000. This produces an interest payment of $864 for the second year, which is then tacked on to the principal when calculating your interest for the third year.

You may be surprised at how quickly this can add up. At 8% simple interest, your $10,000 investment would be worth $34,000 after 30 years. However, using compound interest, the value would balloon to more than $100,000. Just take a look at how simple and compound interest compare over a 50-year period:



The difference is small at the 10-year mark ($17,200 for simple interest versus $21,590 for compound interest). At the 20-year mark, you'll see $25,200 vs. $46,610. However, as the time goes on, the distance between these numbers grows. At 40 years, it's $41,200 vs. $217, 245 and at 50 years, it's $49,200 vs. $469,016.

The more money you invest earlier, and the longer you leave it to compound, the richer you will be. This means save your money when you are young and put it away so you can enjoy your money after a few extra years. Your time in the Marines is perfect for this.

Non-Taxable/Non-Fee Assets

If you are trying to make money, paying a lot of money in fees or taxes is not helpful. The goal is to keep as much of your earned money in your accounts.

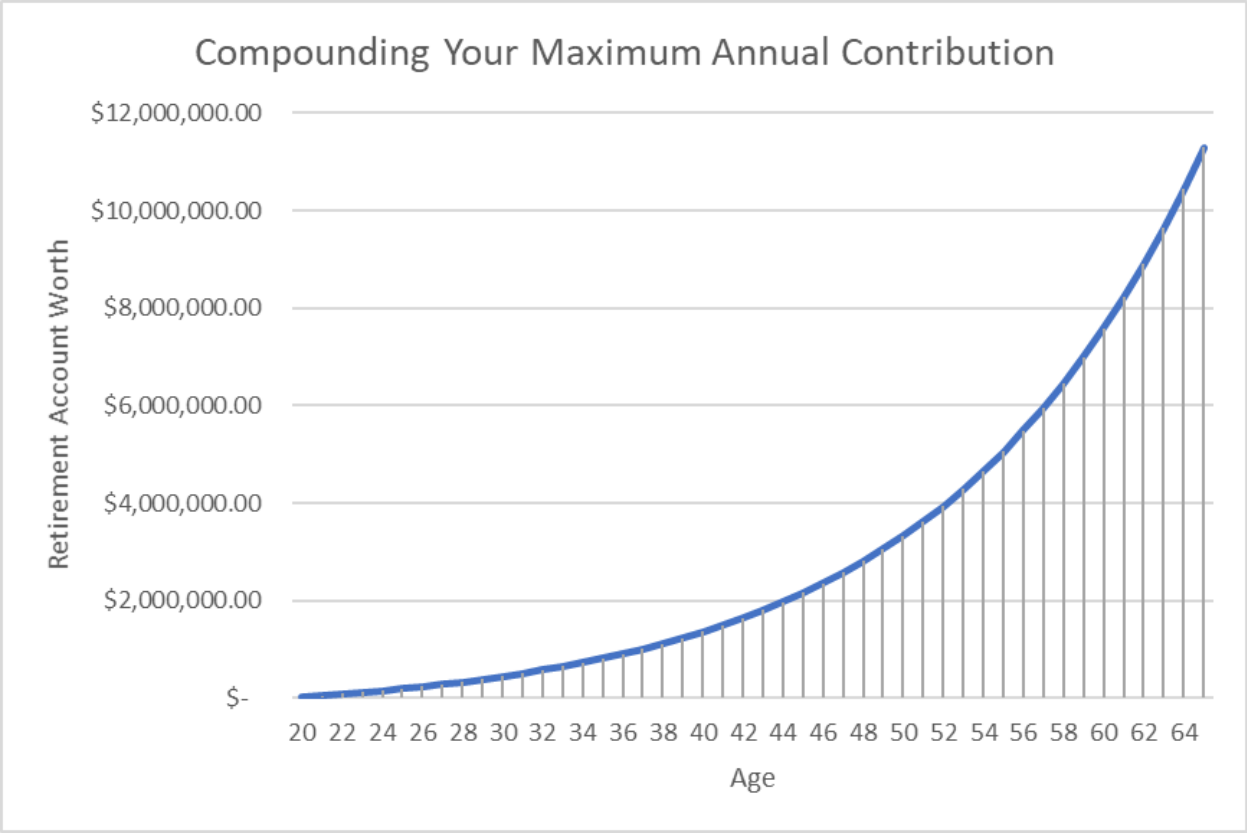
Non-Taxable Assets

Non-taxable investment accounts are called Roth accounts. There are generally two types of Roth accounts you can have – an Investment Retirement Account (IRA) and your Marine Thrift Savings Plan (TSP).

The major benefit on these non-taxable accounts is the ability to pay taxes on these funds now so you don't have to later. The idea behind this is that you would rather pay taxes on the contribution now (which is a small amount) than pay taxes on your earned interest. In the graph earlier, you would pay taxes on the initial $10,000 but never pay taxes again. If you used a traditional IRA or TSP account, you would not pay taxes now, but would pay taxes when you went to get your money (losing substantially more).

Everyone has the ability to open a Roth IRA (Investment Retirement Account) and put $6,000 in annually. Your employer will provide you with a 401K retirement account (which is TSP with the military) where you can contribute $19,000 per year (and $55,000 during years where you were deployed to a combat zone). This means you can annually protect $25,000 worth of investments from taxes.

If you managed to put away $25,000 per year from age 20 until age 65, assuming an 8% average annualized return per year, you would have $11.3 million dollars at age 65.



No-Fee/Low-Fee Assets

Spending money to invest in an account is not going to help you become a millionaire. Spending money on newsletters, hot-tips, or paying for someone to manage your account also doesn't help you get wealthy. Any money you pay towards expenses is money you could have spent on something else. Over the last 100 years, there has been very little information to support spending money on your accounts.

TSP has some of the lowest expenses of any account. Money you place into your IRA should be invested in low cost assets. We will discuss this again later in asset allocation.

Part 1: Budgeting

Budgeting is the single most underutilized practice by young members of the military. Officers and Enlisted make many of the same spending mistakes, just on different scales. We have broken down budgeting for enlisted and officers.

First Term Enlisted

Over a four-year enlistment, a Marine will earn roughly $100,000. Of this, they will keep approximately $80,000 after taxes. Too many Marines leave the Marine Corps with nowhere near that money in their bank accounts.

Marines don't have housing expenses (they either live in the barracks or receive the Basic Allowance for Housing [BAH]). Marines living on base are also able to eat all their meals at the chow hall.

The single biggest expenses Marines spend their money on are cars, cell phones, video games, civilian clothing, and food. Marines waste their money on these items because for many, this is the first time they have had enough money to buy the things they want.

Far too many Marines spend their early paychecks on purchasing brand new cars, pairs of Nikes, iPhones and Galaxies, Playstations and Xboxes, flat screen TVs and more.

We recommend Marines set their TSP contributions to 45% as soon as possible. The Government will match your contributions up to 5% of your pay. This is extremely steep savings! **The reason we recommend this is simple– the government automatically withholds almost 20-30% of your paycheck for taxes because they don't trust you to pay them – why shouldn't we pay ourselves more? We believe in paying ourselves first and spending what's left, so 45% establishes that we are worth more of our money than the government .** If you do this, you will still receive $700 a month or more to spend on whatever you want. Considering you don't have to pay for food, uniforms, housing, or utilities, that's plenty of money.

If you put away 45% of your pay for 44 of your 48 months on active duty, assuming you get out when you are 22 and retire at 62, with an 8% average annual return, you would have $843K at your retirement. Basically, budgeting effectively over your four years in the Marine Corps would give you most of your retirement money.

Save $500 each month for your first year, and buy a used car for $6,000. You will spend less on gas and insurance that way. If you can, avoid buying a car and just give your friends gas money

whenever you catch a ride with them. It will cost you less than having a car and you will still be able to get around.

In short, our philosophy is that you put 45% of your paycheck into your TSP for your four-year enlistment, and spend what's left on whatever you need. You will thank us when you are older and go to retire.

Officers

We recommend Officers set their contributions at 40% of their base pay as Second Lieutenants. Every time you promote, you can lower this number. The goal is to max out the TSP contribution for as long as possible. If you manage to do that, you will be exceptionally wealthy.

We recommend Officers set their TSP contributions to 40% as soon as possible. The Government will match your contributions up to 5% of your pay. This is extremely steep savings! **The reason we recommend this is simple– the government automatically withholds almost 20-30% of your paycheck for taxes because they don't trust you to pay them – why shouldn't we pay ourselves more? We believe in paying ourselves first and spending what's left, so 45% establishes that we are worth more of our money than the government .** If you do this, you will still receive over $1000 a month or more to spend on your car and other important items. At TBS and MOS school this will be easy. Once you get to the Fleet, your BAH will cover the rest of your necessary expenses. Once you promote, the burden is lifted and you can easily start to spend your money however you choose.

Part 2: Real Estate Investing with your VA Home Loan

Your VA home loan is a very powerful way to create wealth. The major benefit of the VA home loan is purchasing a house with minimal or no money down. If you are able to find a house that you can have roommates or tenants in, you will be able to profit from your house and pocket your BAH.

The only money you pay is the funding fee and closing costs. Both of these can be rolled into the sale price of the home, meaning you can buy a house for only a few hundred up to a couple thousand dollars. The VA loan can be used to purchase single family homes, apartments, etc. or multifamily homes up to 4 units.

If you buy a house that has 3 apartments (or bedrooms) and rent out two, that will cover your mortgage. Extra money you make can go in savings accounts to pay for future repairs. When you move, rent the final apartment (or bedroom), hire a property manager, and keep any money that the property is earning.

Before the Corps recommends visiting www.ActiveDutyPassiveIncome.com if you are interested in learning more about military real estate investing.

Part 3: Other Income Investing

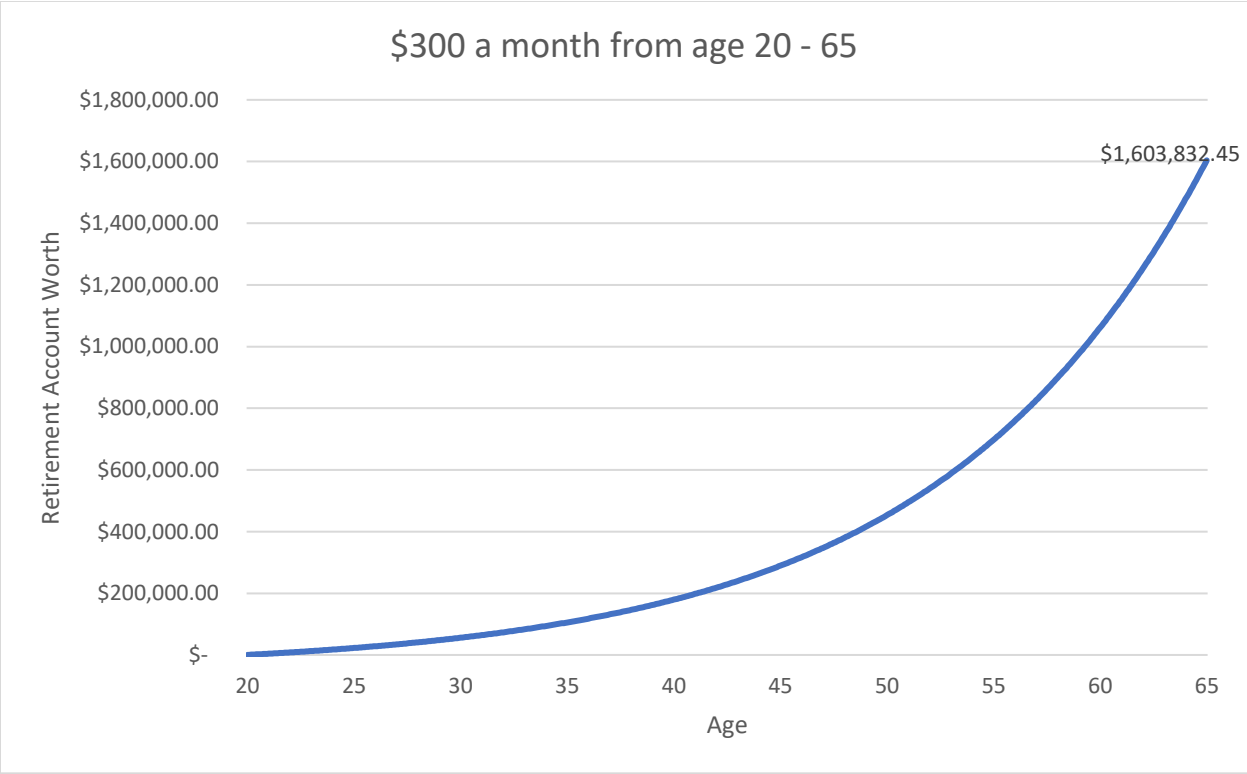
Marines should seek to maximize their IRAs in addition to maximizing their TSP contributions. This is hard to do your first couple years in uniform, but once your earnings break through a Threshold (Staff Sergeant for Enlisted and Captain for Officers), it becomes very easy to maximize both of these accounts. We recommend investing in low-cost index funds like FZROX or VTSAX that track the entire S&P500 in your Roth IRA account.

Open up an account with a brokerage like Fidelity or Vanguard to learn more.

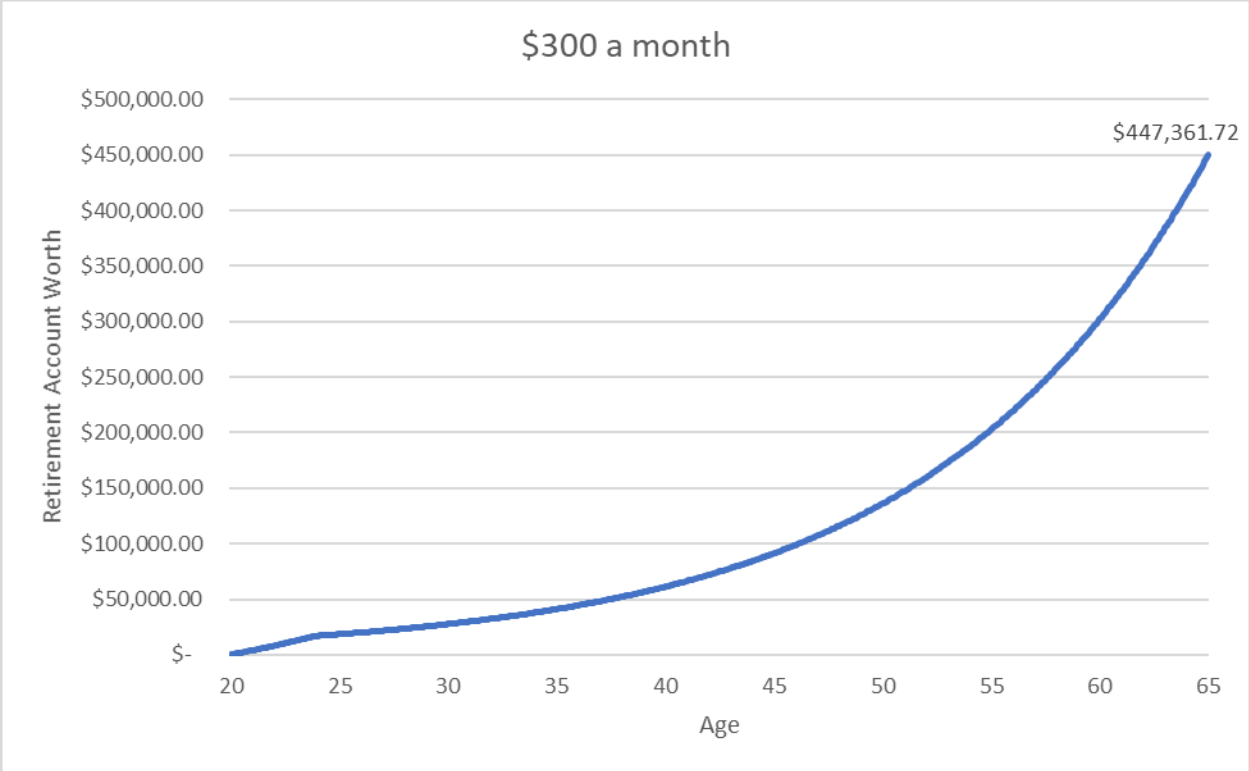
Examples and Savings Projections:

To drive our point home about savings, we have run projections for a variety of different scenarios. One of these should be close to your personal situation and demonstrate how you should save to reach your goals.

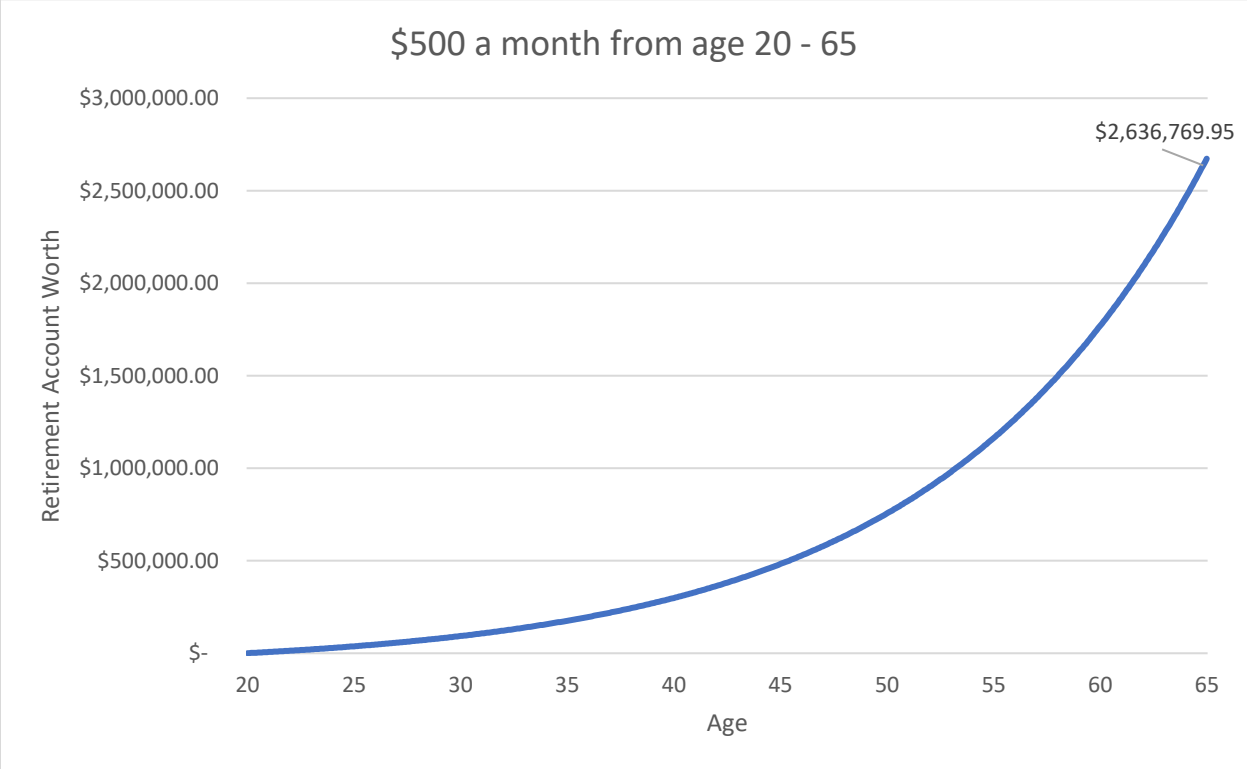
$300 a month contribution to TSP from age 20 until age 65



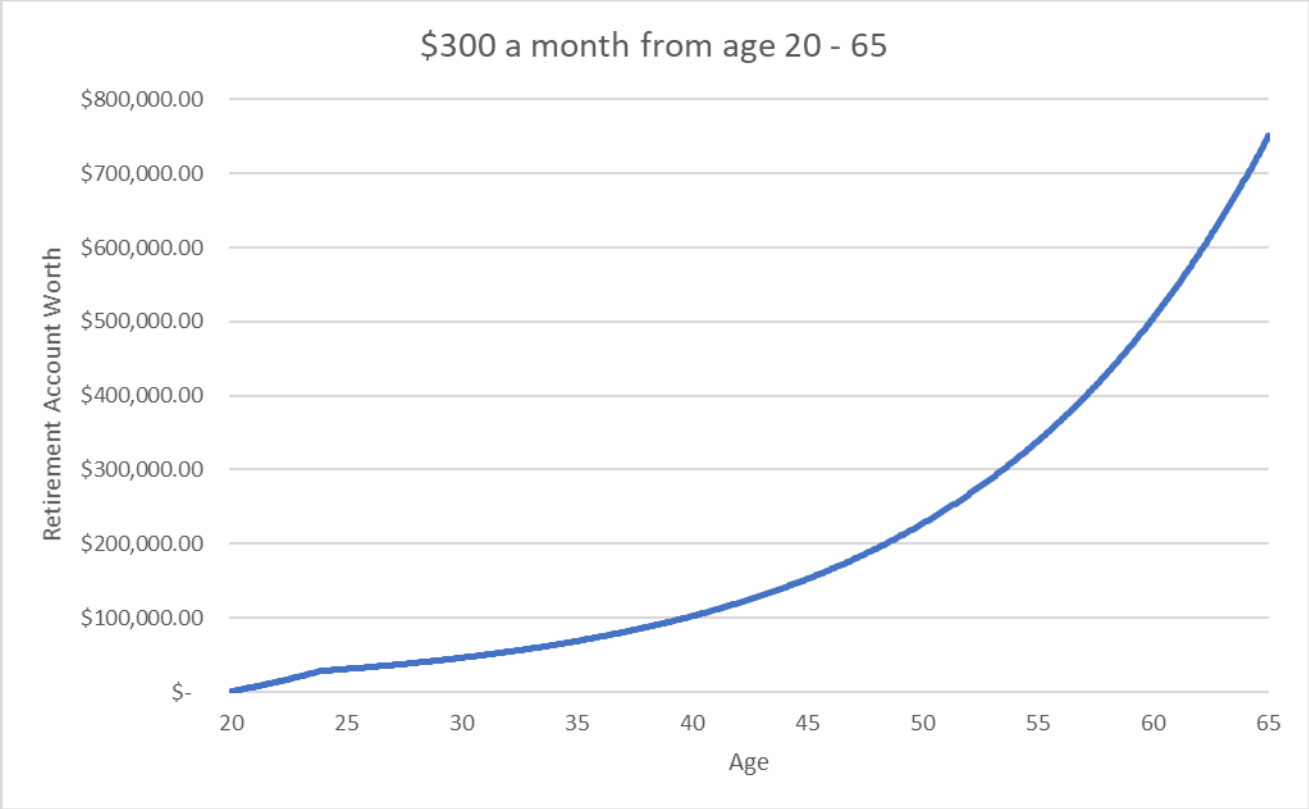
$300/month contribution to TSP during 4 years in Marines (start at age 20, retire at 65)



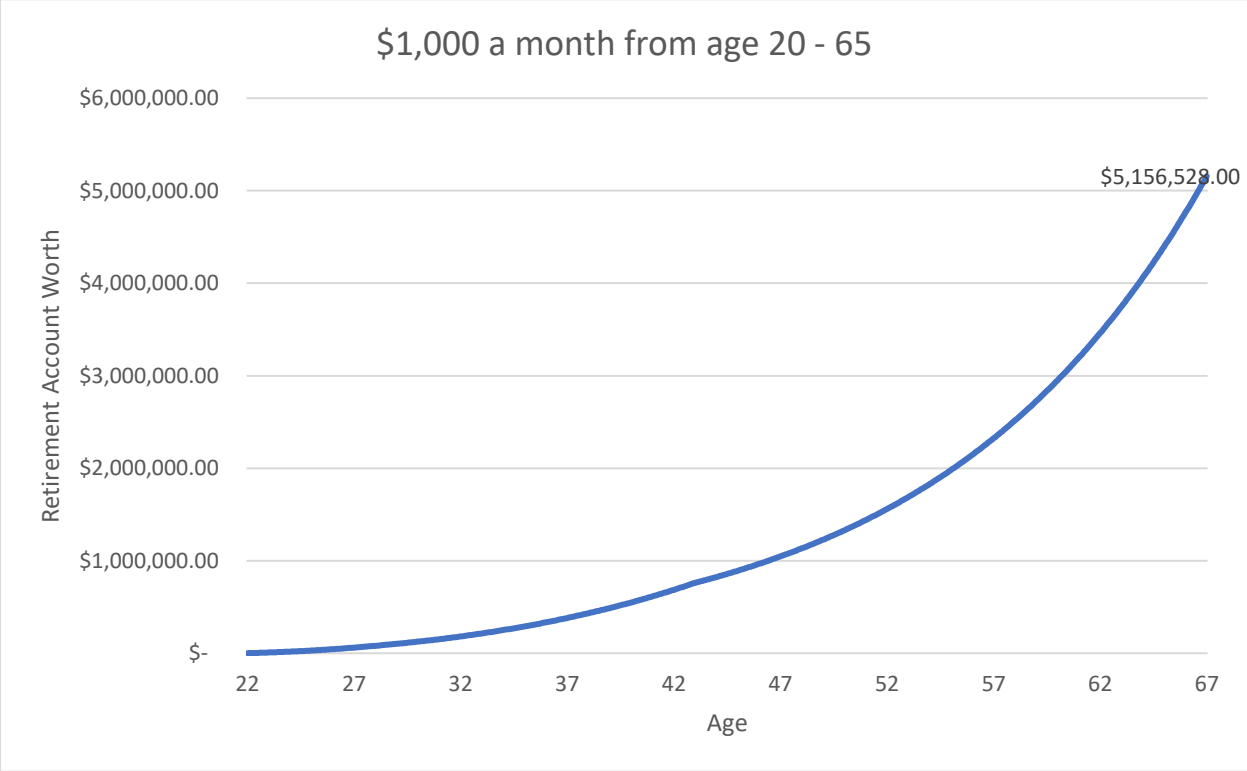
$500 a month contribution to TSP from age 20 until age 65



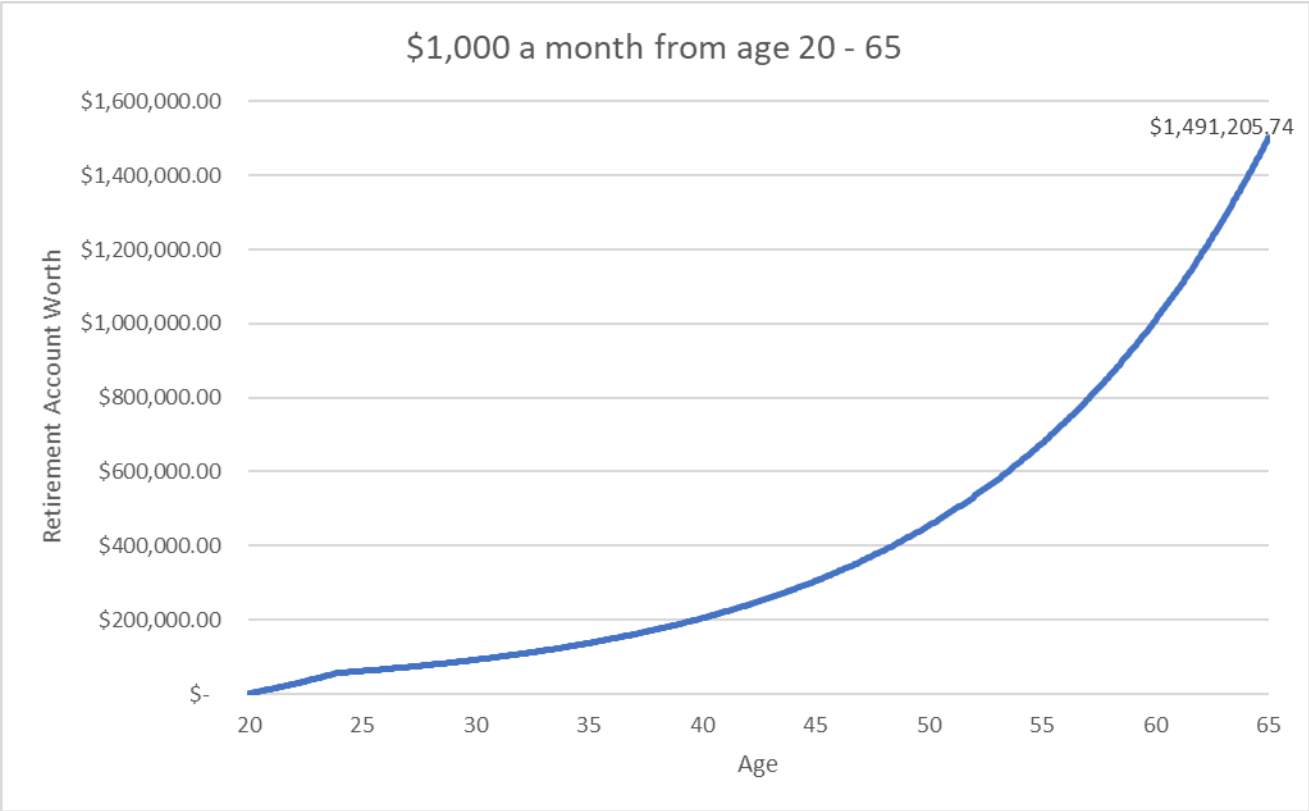
$500/month contribution to TSP during 4 years in Marines (start at age 20, retire at 65)



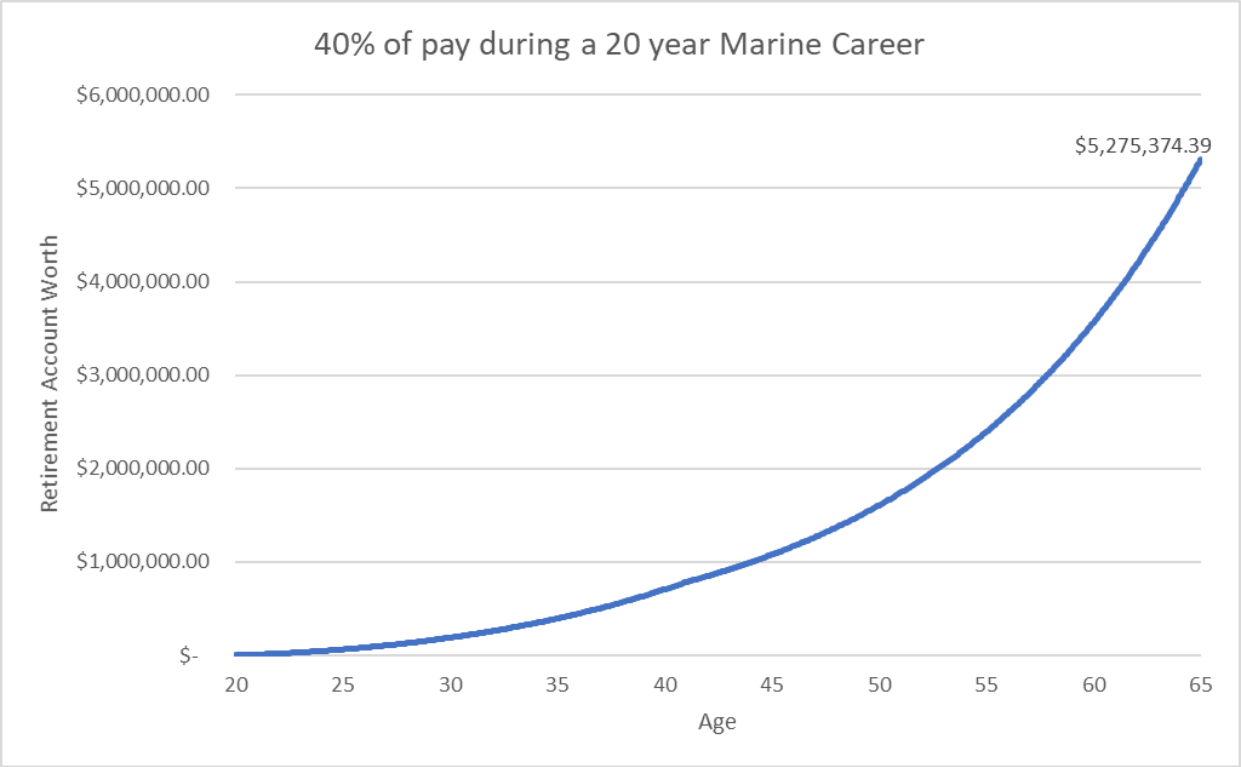
$1,000 a month contribution to TSP from age 20 until age 65



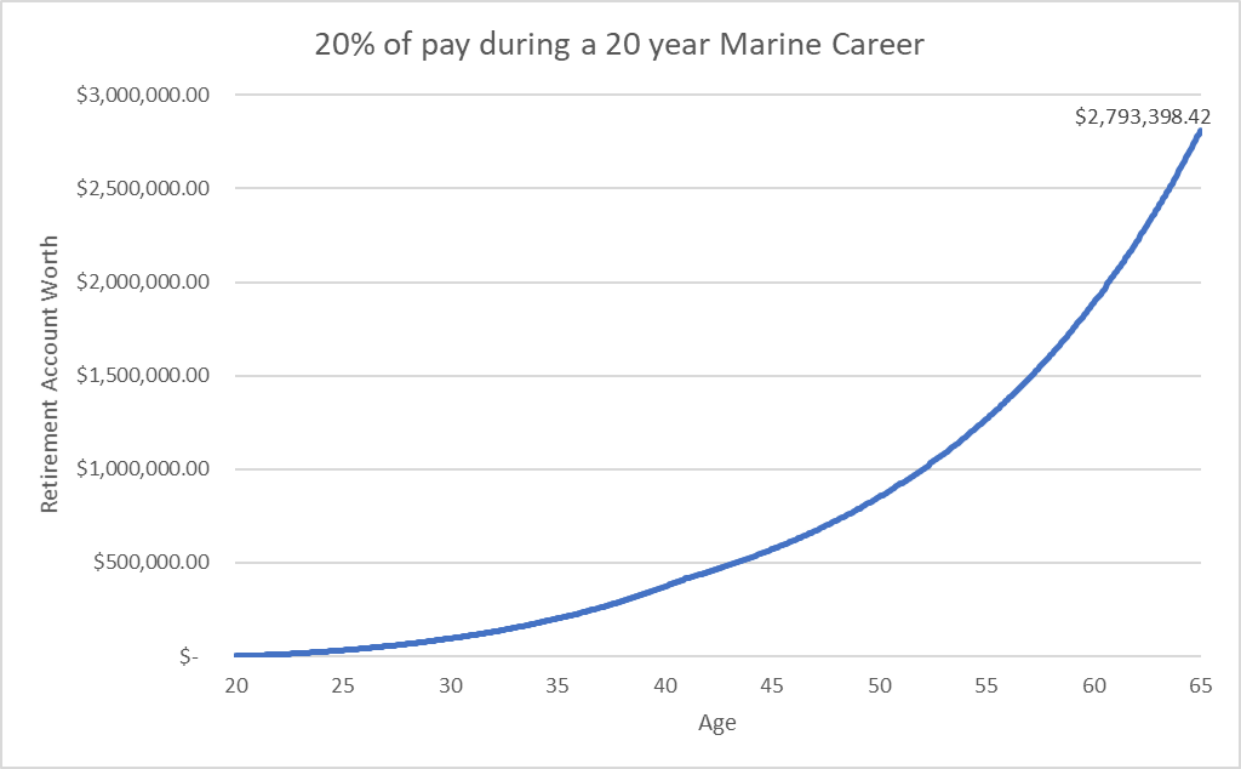
$1,000/month contribution to TSP during 4 years in Marines (start at age 20, retire at 65)



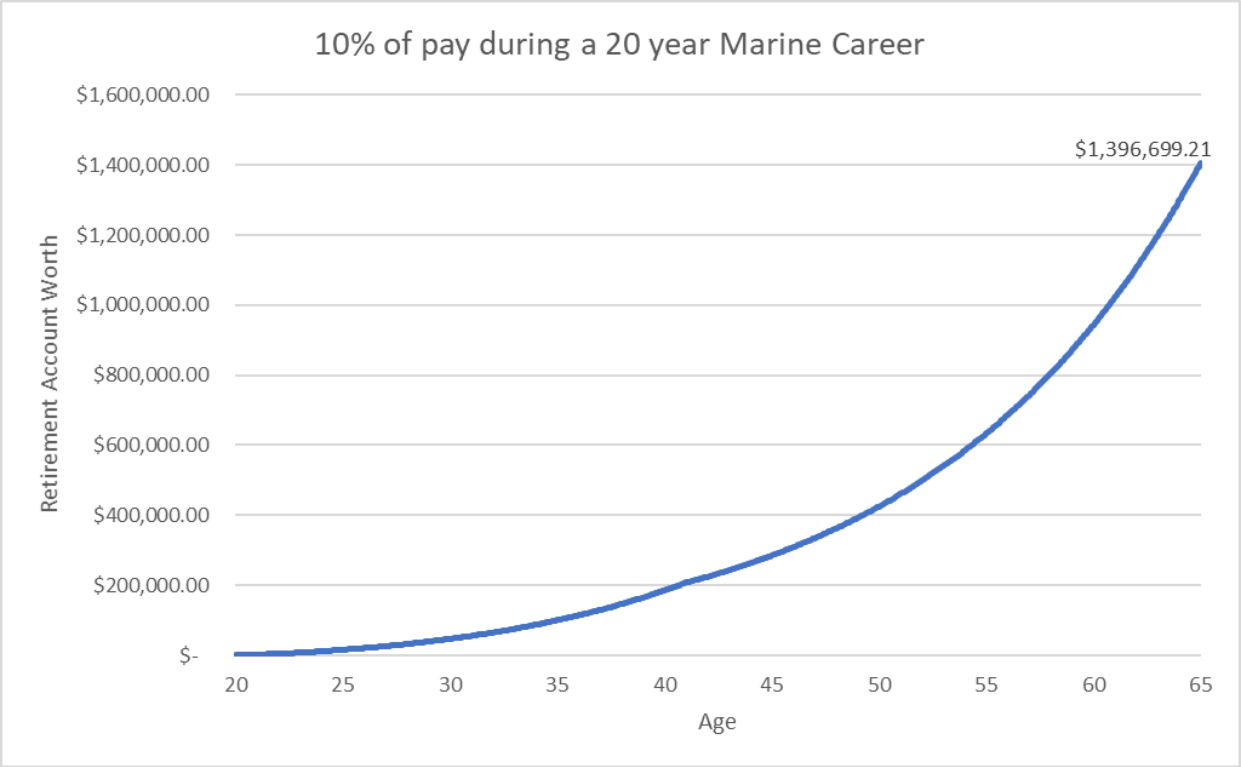
Contributing 40% of your Salary to TSP during a 20 years Enlisted Career in the Marines (start at age 20, retire at 40, collect at 65)



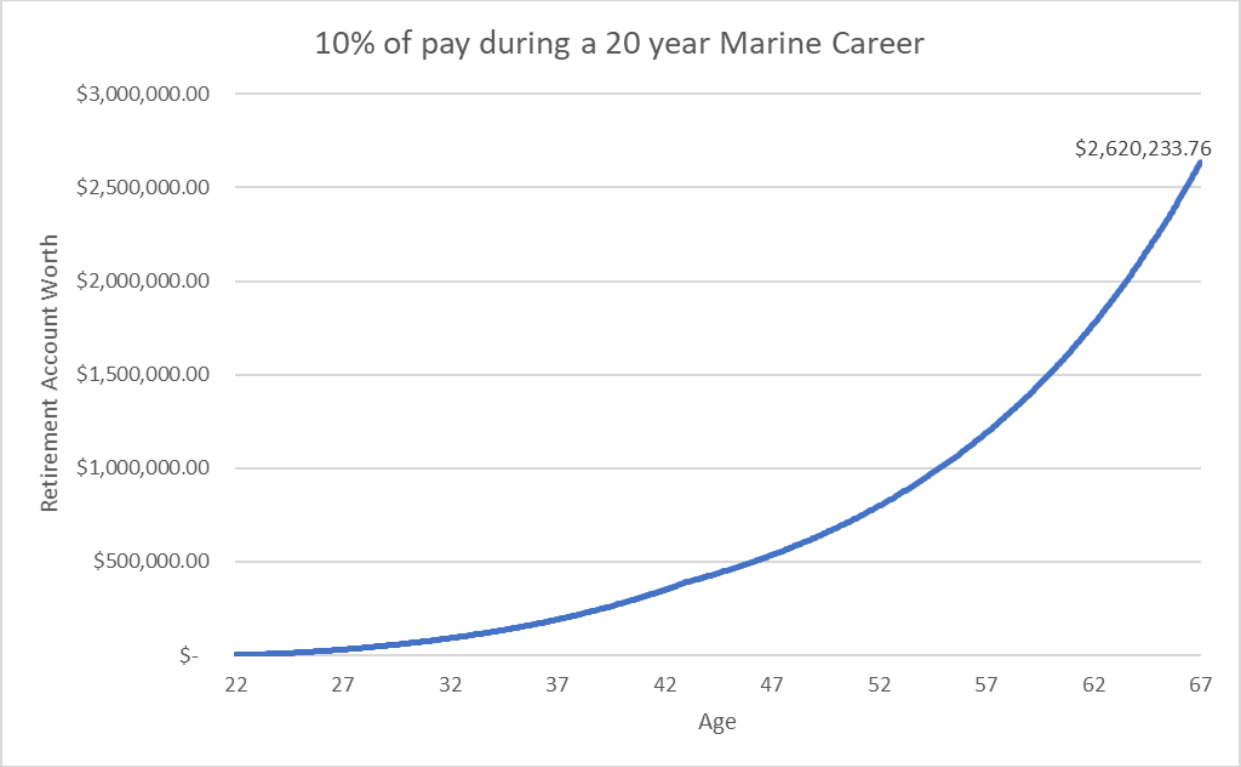
Contributing 20% of your Salary to TSP during a 20 years Enlisted Career in the Marines (start at age 20, retire at 40, collect at 65)



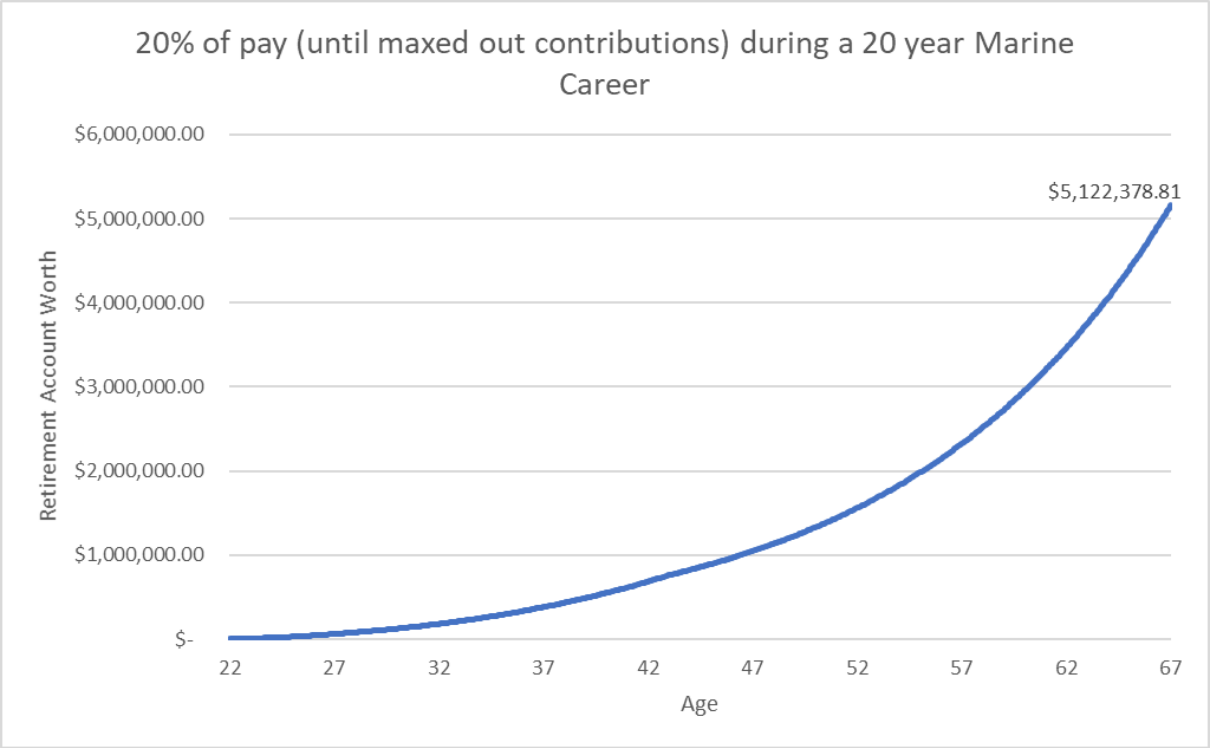
Contributing 10% of your Salary to TSP during a 20 years Enlisted Career in the Marines (start at age 20, retire at 40, collect at 65)



Contributing 10% of your Salary to TSP during a 20 years Officer Career in the Marines (start at age 22, retire at 42, collect at 65)



Contributing 20% of your Salary to TSP (until you reach 19K max contribution) during a 20 years Officer Career in the Marines (start at age 22, retire at 42, collect at 65)



Contributing 40% of your Salary to TSP (until you reach 19K max contribution) during a 20 years Officer Career in the Marines (start at age 22, retire at 42, collect at 65)