# USAA MAGAZINE

A MEMBER'S GUIDE TO FINANCIAL SECURITY

# LIFE IN THE NEW ECONOMY

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YOUR CREDIT

YOUR BUDGET

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# LIFE IN OUR NEW ECONOMY

**REGARDLESS OF OUR AGE,** we are seeing some of the worst economic numbers and indicators of our lifetimes. Anyone with an all-equity portfolio probably saw the value of their nest egg shrink by 40 or 50 percent over the past year, and even balanced portfolios may be down by more than 25 percent. With 2009 off to a rocky start, what do you do? First, take action.

▪ **Don't ignore reality.** While it may be difficult or even painful to closely examine your own financial situation under these new circumstances, it's something we all need to do – sometimes with the help of a non-commissioned professional such as USAA's Certified Financial Planner™ practitioners. They can help you get your bearings, set priorities and get motivated to take control.

▪ **Crunch the numbers.** Do a retirement plan. The landscape of your retirement may have changed. Don't go on as if it were business as usual. A great place to start is the Retirement Center on USAA.COM. There you can see how much you need to save and estimate the income you'll have in your retirement. For a more comprehensive look, consider a retirement plan from one of our planners.

▪ **Focus on eliminating debt.** To lay a solid financial foundation short- and long-term, it is typically best to get rid of credit card debt first, then installment loans, then home-equity loans and then mortgage debt. USAA.COM features a debt analyzer tool, as well as many pieces of advice on how to stay out of the debt danger zone.

▪ **Review your insurance coverage.** You want to protect you and your loved ones' financial security. Whether it is life insurance, an umbrella policy or long-term care insurance, in a tough economy the right protection is critical.

Second, as a USAA member, know that your association is financially strong and growing. While we aren't immune from market conditions, we emerged from 2008 with an increased net worth and 383,000 new members.

We know 2009 will be a tough year also – for individuals and companies alike. We're positioned for continued success in 2009. Please let us help you be well-positioned financially, too. ■

Josue (Joe) Robles, Jr.
Major General, USA (Ret.)
President & CEO

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USAA MAGAZINE
A MEMBER'S GUIDE TO FINANCIAL SECURITY
SPRING 2009 • VOLUME 45 • NUMBER 1

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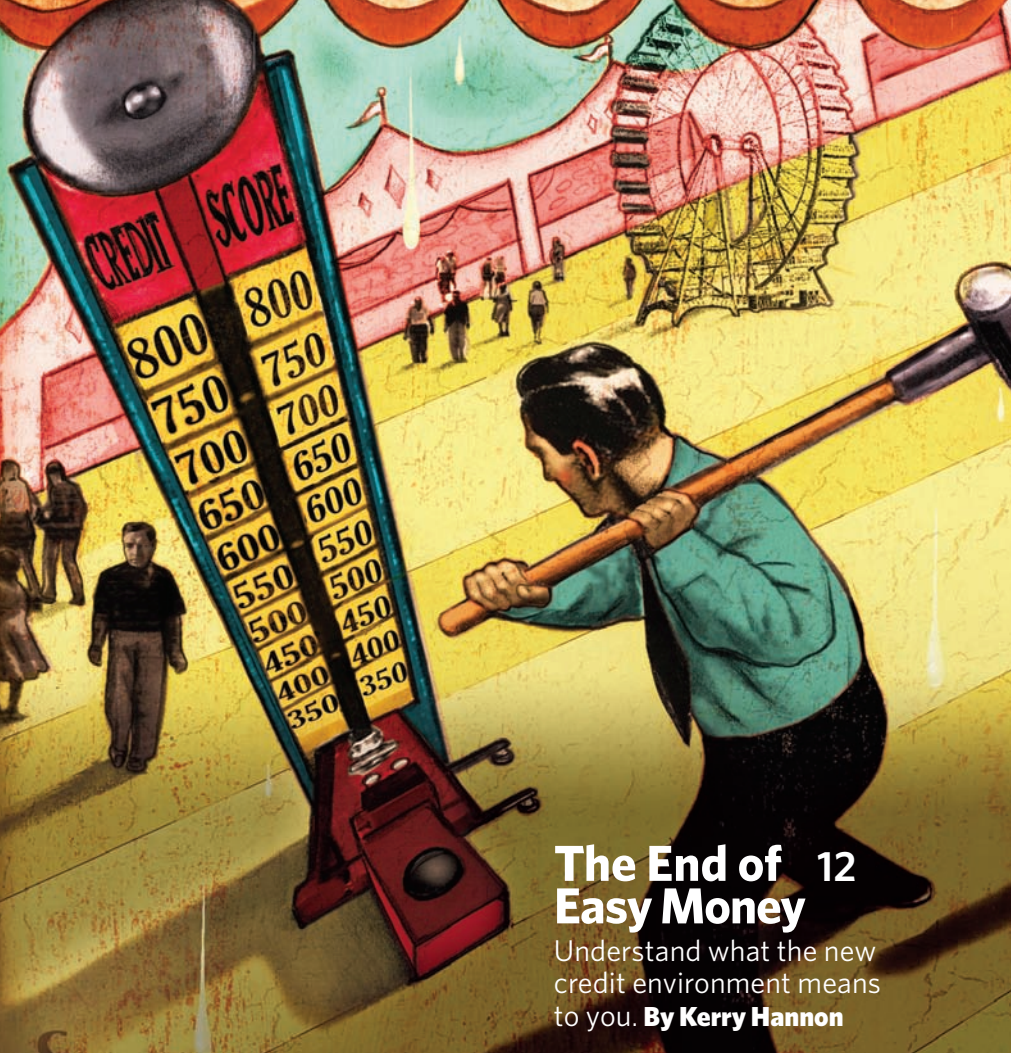


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COVER ILLUSTRATION: DANIEL PELAVIN

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# Your balance in seconds

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**You have access to:**

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- credit card and prepaid card balances and available credit.

**How it works:**

- Register your device at USAA.COM/mobile.
- Send a text message to MYUSAA (698722) and instantly receive account balances, available credit and more.

| Command | Function |
|---|---|
| BAL | View all of your bank account balances. |
| BAL (QUICK NAME) | View a specific account balance using its quick name. |
| CHECK OR CHECKING OR CHK | View your selected checking account balances. |
| SAV OR SAVING OR SAVINGS | View your selected savings account balances. |
| CARD OR CC OR CRED OR CREDIT | View your selected credit card balances and your available credit. |
| PPC | View your prepaid card balance. |
| CMD OR LIST | View this list of commands on your mobile device. |
| STOP | Unregister this mobile number from USAA's text messaging service. |
| HELP | Get support information for USAA's text messaging service. |

USAA MAGAZINE

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**PUBLISHED BY:** USAA, 9800 Fredericksburg Road, San Antonio, TX 78288-3533; (800) 531-8646 (magazine business only). For information about USAA's products and services, see page 25 or log on to USAA.COM. For information about reprinting material from *USAA Magazine*, please write to Lisa Severson at the address above. Requests must be in writing.

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USAA®

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twitter

"The articles in *USAA Magazine* are always more interesting than I expected."

*9:04 PM Dec 10th, 2008*
**Gvonk** (Garrett Vonk)

*Editor's note: We asked Vonk what spurred such accolades. Here's what he told us via e-mail:*

I really appreciated reading John Gilliam's cover story, the On the Money questions and answers, and the tips on Valuable Personal Property insurance, which I carry for some of our valuables. I feel like my wife and I are already well-educated and make good financial decisions, yet I still read something I don't know or get new, helpful advice in every single issue of your magazine.

**Twitter** users can follow USAA at twitter.com/usaa_news.

Be our fan on **Facebook**. Log on to your Facebook account and search for USAA.

**E-mail us**. Log on to our Web site at USAA.COM and click "Contact Us."

**Write a letter**. *USAA Magazine*, Mail Call, E-1-E, 9800 Fredericksburg Road, San Antonio, TX 78288-3533. Please include a daytime telephone number.

Regarding "On Course" (Winter 2008), about preparing adult children for taking over their parents' financial affairs: My system of having information available in case of my death is a stack of 3-by-5 cards for utilities, financial accounts, insurance, Social Security, Medicare. All the cards are written in pencil, facilitating minor changes. For a major change, I just make a new card.
▪ *David K. Ambro, Pearland, Texas*

All or part of your letter may be printed in an upcoming issue. It may be edited for clarity and length. • The opinions expressed here are those of individual members and not necessarily of USAA. If you have comments regarding an individual claim or concerns that do not pertain to items in the magazine, please refer to USAA.COM for a comprehensive list of contact numbers.

FYI

# Dreams take flight

*A USAA member helps ensure college education for sons and daughters of fallen service members*

PHOTOGRAPH BY JEFF SCIORTINO

**Maj. Dan Rooney and Jacob Green, son of Cpl. Brock Bucklin, killed in action**

As Maj. Dan Rooney of the Oklahoma Air National Guard waited for other passengers on a commercial plane to disembark, the F-16 fighter pilot and golf pro saw something that gave him a new life's mission. A boy on the tarmac clutched his mother's leg as she accepted a flag-draped casket. Inside was the body of the boy's father and her husband, Cpl. Brock Bucklin, killed in action.

Having served two tours in Iraq, Rooney felt so moved by the grieving family that he established Folds of Honor, a nonprofit that has awarded approximately 200 scholarships to the spouses and children of fallen and disabled service members. "We award them at any age because, first, it lets the children know the American people haven't forgotten them, and, second, it introduces the idea of higher education when kids are young," says Rooney, who owns and operates a golf course and is developing a new one. This USAA member hopes the money helps families look to the future in the midst of loss. For funding, Rooney turns to fellow golfers. Money raised during Patriot Golf Day each Labor Day weekend, when $1 is added to greens fees at approximately 3,900 courses nationwide, helps children like Bucklin's. "We're very blessed to have the support of the PGA," says Rooney. "We won't be finished until we make sure all these dependents achieve their dreams."

> "We won't be finished until we make sure all these dependents achieve their dreams."

## USAA MAINTAINS LOYAL MEMBERS

**In a study that showed many top financial services firms' rankings drop, USAA maintained its No. 1 spot for customer loyalty. Cogent Research, an independent research provider, surveyed 4,000 affluent customers and used Net Promoter® Score, a widely accepted proxy, to measure investment distributor customer loyalty. The study was conducted in October 2008 and compared results to October 2006. USAA ranked No. 1 in both years. "While performance continues to be the primary driver of loyalty — and certainly can't be dismissed — this year, we see that the big differentiator lies in investor perceptions of a firm's financial stability," says Christy White, founder and principal of Cogent Research.**

*See disclosure on page 30.*

FYI

GUARANTEED RETURNS

# BUILD A CD LADDER

With stock market volatility, investors are eyeing certificates of deposit, which offer guaranteed rates. But if you're not sure how long to commit your money in a single CD, consider building a CD ladder — spreading your money across several CDs that have different maturity dates. Over time, you'll have:

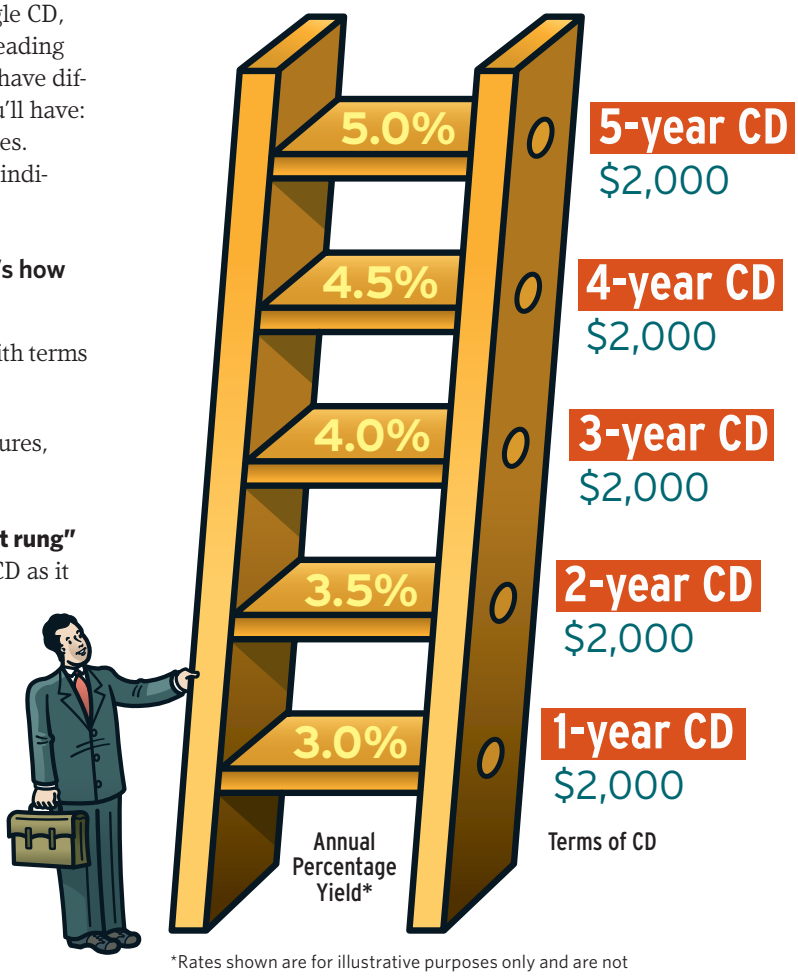
- the benefit of high, five-year CD rates.
- access to your money each year as individual CDs mature.

**If you had $10,000 to invest, here's how it might work.**

1. **Put $2,000 each in five CDs**, with terms of one year through five years.
2. Each year, as one of the CDs matures, **reinvest it in a five-year CD**.
3. **Continue replacing the "highest rung"** of the ladder, rolling over each CD as it matures, unless the funds are needed for other purposes.

**For USAA's most current, highly competitive CD rates, go to USAA.COM and search USAACDs.**

## INVESTING $10,000 IN CDs




*Rates shown are for illustrative purposes only and are not representative of USAA's products.

CHART ILLUSTRATION BY PETER HOEY

# Emergency mortgage market help

- **The Hope for Homeowners program** gives struggling homeowners an opportunity to refinance their mortgages at more affordable terms. Visit www.hud.gov/hopeforhomeowners.
- **A tax credit for first-time homebuyers** offers a $7,500 tax break for homes purchased after April 8, 2008, and before July 1, 2009. Unlike other tax credits, however, this one acts like an interest-free loan that must be repaid over the following 15 years. Go to www.irs.gov and search first-time homebuyer credit.

PHOTOGRAPH BY PHOTOLIBRARY

# SUPPORTING THE MILITARY

★ **HIGH RANKING.** On the *G.I. Jobs* magazine 2008 Top 50 Military Friendly Employers list, USAA ranked No. 4, up one from its spot on the 2007 roster. Selected from 2,500 companies, the list recognizes military recruiting efforts, a high percentage of military hires and policies that accommodate Reservists and National Guard members.

★ **RUNNING MATES.** Cast your vote for one of five finalists for *Military Spouse* magazine's Military Spouse of the Year honors. Visit msoy.milspouse.com by March 4, 2009.

★ **ENLISTING THEIR AID.** With approximately 200 active National Guard and Reserve employees and superb policies for them, USAA has won the first-ever Prominence Award. This new, national award, given by the Employer Support of Guard and Reserve, an organization within the Department of Defense, recognizes employers that show sustained excellence in supporting the National Guard and Reserve.

# Saving lives by saving time

Common in stores, offices and warehouses, sprinklers are beginning to take hold in residential construction. "It's amazing that we seem to use sprinklers to protect everything except what's most valuable to us," says Home Safety Council president Meri-K Appy.

Contrary to what's often portrayed in movies, only sprinklers closest to the fire are activated — putting water where it's needed and giving time to escape. More feasible in new construction or major renovations, home sprinklers generally increase building costs by 1 to 1.5 percent — a small price to pay for effective protection.

Don't forget that smoke detectors, easy to install and inexpensive, are a must in any residence. Home alarm systems can also alert of fire — and break-ins, too.

**» USAA members receive discounts on the installation and monitoring of a home security system with ADT. Go to USAA.COM and search ADT.**

# Timely tools

## Online calculators offer guidance in shaky economic times

### Are my deposits insured?

That's a question consumers started asking with more urgency as they watched prestigious financial institutions fail last fall. Through Dec. 31, 2009, the Federal Deposit Insurance Corp. temporarily increased coverage from $100,000 to $250,000 per depositor. But that can vary depending on how your accounts are registered and whether they're being used as an IRA. To sort it out, use the FDIC calculator at fdic.gov/edie. Just enter basic account details and the calculator tells you how much is protected.

**» USAA Federal Savings Bank is a member of the FDIC. If you're not banking with us, make sure your bank is a member, too.**

### Estimate your Social Security income

Choosing when to begin receiving Social Security benefits has big implications. If you start before what the Social Security Administration calls your "full retirement age," your benefits will be reduced. Hold out longer, and they're given a boost. The math is complicated, but the SSA's online benefit calculator, at socialsecurity.gov/estimator, makes it easy to test scenarios and decide when to take the plunge.

**» Use the USAA Retirement Income Planner tool on our Web site. Go to USAA.COM and search Retirement Income Planner.**

# Your money matters

*USAA experts solve day-to-day dilemmas about dollars and cents*

ILLUSTRATION BY CORBIS/DAVE CUTLER

**Q** We've contributed to the federal government's retirement savings plan for the past few years, but the economic upheaval is making us think twice. Should we stop adding money, or ride out the crisis? My husband is 40, and I'm 36. We have no debt and a significant emergency fund.
— *Cassandra, Naples, Italy*

**A** Your reaction to the financial crisis is understandable. "The markets have given many investors' retirement accounts dramatic cuts," says Certified Financial Planner™ practitioner June Walbert of USAA. "It's a shock to the system, but the value of those accounts today is largely irrelevant. What matters is what they're worth in another 25 or 30 years."

Given your age and strong financial position, you may want to view the current bear market as a potential opportunity — and consider *increasing* your contributions. "It's interesting that the stock market is one of the few places where buyers shy away from lower prices," says Walbert.

She also points to the long-term potential of investing in stocks. "Between 1926 and 2007, stocks averaged a 10.4 percent annual return, compared to 5.9 percent for bonds and 3.7 percent for cash," says Walbert. Of course, that doesn't mean you should invest everything in stocks. "A portfolio that includes a mix of investments can potentially give you a smoother ride and help you sleep at night," she says.

**Q** **My husband is an Army veteran, and we'd like to buy a restaurant. Are there any special loan programs for veterans?**
— *Emily, Collbran, Colo.*

**A** The U.S. Small Business Administration offers the Patriot Express Pilot Loan Initiative to veterans, some active duty military members and qualified spouses and widows. "The SBA can also help you write a business plan and consider ways to expand your enterprise," adds Certified Financial Planner™ practitioner J.J. Montanaro of USAA. Visit sba.gov/patriotexpress.

**»FIND BALANCE**

**Want to build a portfolio with a good balance of risk and reward? Go to USAA.COM and search Portfolio Planner.**

**Q How long should a delinquency appear on my credit report?** *— Sarah, deployed from Fort Sill, Okla., to Camp Bucca, Iraq*

**A** "Most negative information, including delinquencies, can be reported for up to seven years," says Montanaro. Beyond that point, take action.

The Fair Credit Reporting Act holds two parties responsible for errors: the credit reporting agency and the business providing the erroneous information. "When you find a mistake on your credit report, send a letter to each of them," advises Montanaro. "Include copies of any documents that support your position, but hold on to originals." The credit reporting agency generally has 30 days to investigate your dispute. It must share findings with you in writing and send a free credit report if the investigation resulted in a change. If an error is found, the creditor must also notify all three major credit reporting agencies.

Request a free copy of your report annually from each of the major agencies by visiting annualcreditreport.com or calling (877) 322-8228. Note that while your report is free, you'll have to purchase your score for about $8 apiece from each credit bureau on annualcreditreport.com.

**Q A college student — who isn't a relative — lives with my family. Can we claim her as a dependent on our taxes? She works part-time, doesn't pay rent and is a full-time student.** *— Jason, Tampa, Fla.*

**A** To claim a non-related individual as a dependent — and decrease your taxable income by up to $3,500 in 2008 and $3,650 in 2009 — that person must:

- live with you the entire year, other than absences due to education, business, vacation or military service.
- have gross income for the year that's less than $3,500 in 2008 ($3,650 in 2009).
- receive more than half of his or her total support from you; "support" includes food, lodging, clothing, education, medical and dental care, recreation, transportation and other necessities.

Make sure the parents of the person aren't claiming him or her as a dependent, as well. When the college student is your child, the rules are a little different. For example, the child need only live with you for more than half the year, and there's no limit on his or her gross income. "There are also requirements that give strong incentive for them to take on a full course load and graduate in a timely fashion," Montanaro says. "To pass the IRS tests, dependent children over 18 have to be full-time students and, generally speaking, you can't claim them after they turn 24."

Dependency exemption rules are complicated, so review IRS Publication 501 and talk to a tax advisor before staking your claim. ■

This material is for informational purposes. Consider your own financial circumstances carefully before making a decision and consult with your tax, legal or estate planning professional.

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ILLUSTRATIONS BY CRAIG LAROTONDA

# The End of Easy

Understand what the new credit environment

# Money

means to you BY KERRY HANNON

Shakespeare's famed line from *Hamlet*, "Neither a borrower nor a lender be," never seemed more fitting.

As the worst financial crisis in decades has taken hold, banks have put the squeeze on all sorts of consumer loans. They're taking steps to ease their risk, as unemployment rates climb and the number of delinquent borrowers swells.

If you want a new home or a new set of wheels and have less-than-stellar credit, you might have a hard time finding a lender and a decent rate. "The bar has been raised on who gets the very best rates," says Greg McBride, senior financial analyst at Bankrate.com.

Lenders are ratcheting up minimum credit scores, requiring heftier down payments and upping interest rates for borrowers with less-than-pristine credit histories. The end of easy money has arrived, and lenders nationwide are ready to help you learn how to live within your means the hard way, by not lending you any more dough until you prove you can pay it back in a timely fashion.

As the ever-wise Shakespeare penned, "Put money in thy purse."

## BEING A GOOD BORROWER

For most, an unblemished credit score and a steady paycheck will make landing a loan no more difficult than in years gone by. "You need to be financially fit and have the documents to prove it," McBride says.

"Yes, the credit environment has changed," acknowledges USAA Federal Savings Bank President David Bohne, "but our bank is strong and we continue to help members meet their credit needs. If you have a good credit history, we'll offer you the best terms we possibly can."

By far, the biggest change in the credit environment is what lenders consider a good FICO credit score. That's the three-digit number, generally ranging from 300 to 850 and devised by the Minneapolis-based Fair Isaac Corp., that often determines whether you'll get credit and at what interest rate.

## THE NEW IDEAL

The credit-worthiest borrower a year ago was someone with a 680 to 700 FICO score. Now it's someone with mid-700s and up, McBride says.

It's not that Fair Isaac has changed how it calculates the score. It's that lenders are looking for higher numbers than they did even six months ago. "Essentially, your credit report had better be as good as it possibly can," says Carol Kaplan, a spokeswoman for the American Bankers Association. That said, every lender has "its own standards, so there is no one specific credit score that means you're scot-free."

But in general, scores need to be at least 50 and often 100 points higher than they needed to be a year ago to get the best rates, Kaplan advises. If you're shopping for a loan, here's what to expect.

**»CALL USAA**

**For free financial advice, call our experts at (800) 771-9960.**

Credit score requirements discussed in this article represent industry-wide figures. USAA Federal Savings Bank credit score requirements vary by product.

## MORTGAGES: The basics are back.

"Gone are the days when breathing was enough to qualify to get a mortgage loan," says Keith Gumbinger of the financial publisher HSH Associates, which tracks rates on mortgages and consumer loans. "We're back to a more normal credit environment for mortgages."

Loans still may be available for those with scores as low as 620 or perhaps lower, but you'll pay for it with a much higher rate, say, more than 10 percent versus around 5 percent for a 30-year, fixed-rate, $300,000 loan.

In addition, to show you have the wherewithal to pay, lenders are eyeing an overall debt-to-gross income ratio that falls below 40 percent. That's down from the 55 or 60 percent that some lenders approved before the mortgage meltdown, Gumbinger says. The maximum ratio to qualify for a VA loan is 41 percent. Even if a lender does not hold you to this, you would be smart to do so yourself.

And you'll need cash for a down payment. "Lenders want you to have skin in the game," he observes. The amount is creeping back to 20 percent for the best rates, but plan on putting down at least 10 percent. Lower amounts are still available on Federal Housing Administration loans, if you qualify. Moreover, you will need the paperwork to prove your income, assets and overall balance sheet.

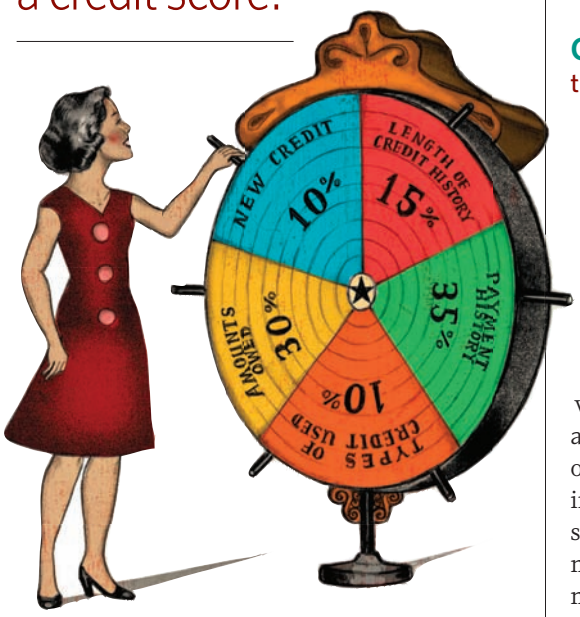
Borrowers looking to refinance with reasonably good credit and a home that hasn't lost too much value will find ample mortgage money. But to qualify for the premier rates, those refinancing

## Old credit vs. new credit standard

| | OLD | NEW |
|---|---|---|
| Best credit score | 680 and up | 720 and up |
| Down payment on a house | 0 to 10 percent | 10 to 20 percent |
| Documentation | Minimal | Maximum |
| Total debt-income ratio | 55 to 60 percent | Less than 41 percent |

*Source: HSH Associates, hsh.com*

## What comprises a credit score?




*Source: Fair Isaac Corp., myfico.com*

need to have pristine credit and at least 10 to 20 percent equity in their homes.

**AUTO FINANCING: Expect tougher financing and say goodbye to no-cash-down deals.** "The credit market is definitely tighter now than it was a few months ago, but credit is still available for car shoppers," says Jesse Toprak, an industry analyst at automotive information Web site Edmunds.com. "The key is, if you qualify. Those with good credit histories can still get the car and the deal they want and terms just as favorable as ever."

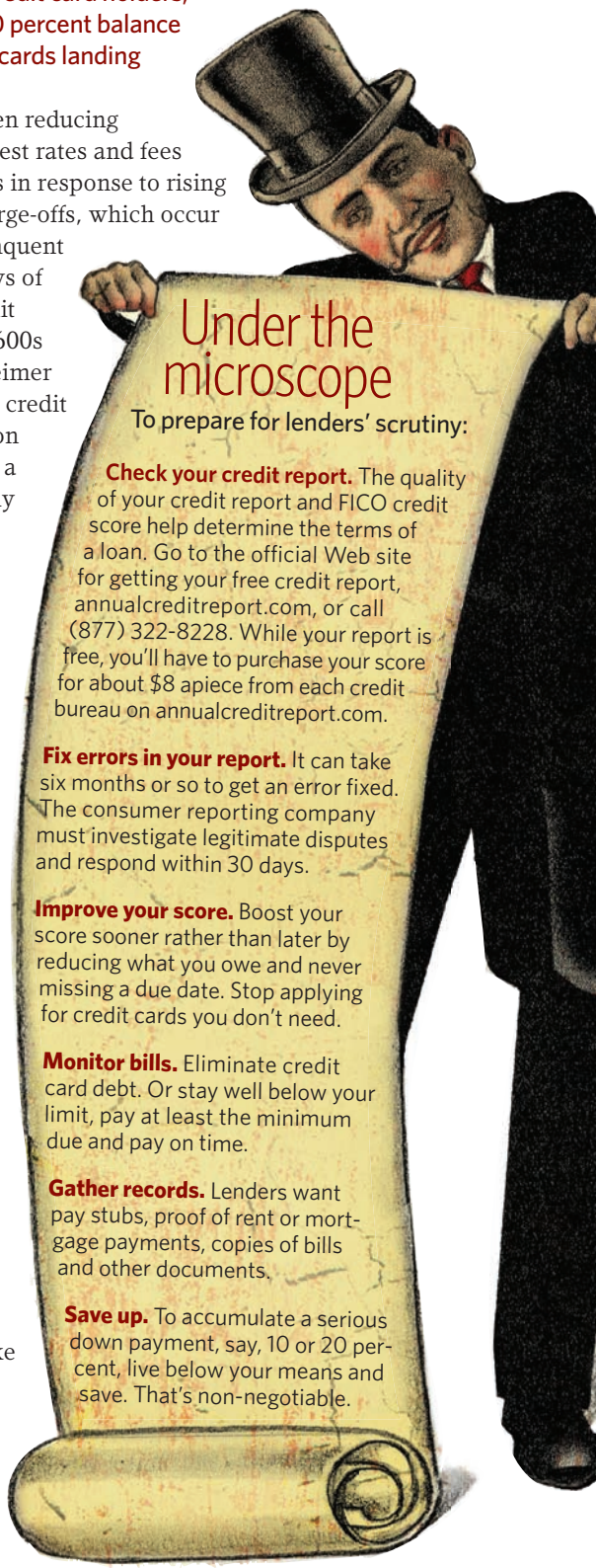
Interest rates currently range from 0 percent financing for borrowers with excellent credit up to more than 16 percent for a borrower with a score in the 500s. The national average rate for a borrower with a 720 score is now 6.68 percent on a $25,000 loan amount.

And down payments are back. You'll probably need a score of 700 or above to finance a car without a down payment, up from 650. Borrowers below that score might be asked to pony up as much as 20 percent in cash. But lenders are even requiring consumers with average credit scores to throw in at least 5 percent, and more frequently 10 or 20 percent.

And lenders are restricting the length of loans. So for many consumers, signing up for a loan that's longer than five years, a common practice the past few years, might not be a choice.

**CREDIT CARDS: For credit card holders, there are fewer offers for 0 percent balance transfers or low-interest cards landing in mailboxes.** Card companies have been reducing credit limits, raising interest rates and fees and closing idle accounts in response to rising business costs and charge-offs, which occur when banks treat delinquent accounts as a loss. "Days of a $25,000 credit card limit with a credit score in the 600s are gone," says John Ulzheimer of Credit.com, a consumer credit information and application site. "Getting approved for a new credit card is definitely more difficult, but it's not Armageddon, as some people say," he adds. "As with other consumer loans, it's all about your credit score. Try to get it well above 700 for the best deals."

The big danger from a credit picture perspective is having a credit card's limit reduced or closed for non-use, Ulzheimer observes. Reducing credit lines has hurt some consumers by affecting their debt-utilization ratio, which is the percentage of available revolving credit they're using on credit cards. A high debt utilization can lower a credit score, which then makes it tougher to get credit or at least get credit under favorable terms. Make a habit of using each card once every six months at least, and then pay the bill before the grace period expires and you start to owe interest. ■



## Under the microscope

To prepare for lenders' scrutiny:

**Check your credit report.** The quality of your credit report and FICO credit score help determine the terms of a loan. Go to the official Web site for getting your free credit report, annualcreditreport.com, or call (877) 322-8228. While your report is free, you'll have to purchase your score for about $8 apiece from each credit bureau on annualcreditreport.com.

**Fix errors in your report.** It can take six months or so to get an error fixed. The consumer reporting company must investigate legitimate disputes and respond within 30 days.

**Improve your score.** Boost your score sooner rather than later by reducing what you owe and never missing a due date. Stop applying for credit cards you don't need.

**Monitor bills.** Eliminate credit card debt. Or stay well below your limit, pay at least the minimum due and pay on time.

**Gather records.** Lenders want pay stubs, proof of rent or mortgage payments, copies of bills and other documents.

**Save up.** To accumulate a serious down payment, say, 10 or 20 percent, live below your means and save. That's non-negotiable.

# Buy, Sell OR Hold

BY HELEN KAIAO CHANG

If you're wondering how to play your hand in this housing market, get our hints for whether to stay in the game or sit out for a while

These days, with national median existing-home prices down 11.3 percent, to $183,300, from October 2007 to October 2008, sellers put up "for sale" signs with trepidation. Buyers with good credit ratings hit the house-hunting trail with glee. Others happily stay put, focusing on making mortgage payments and upkeep. What's right for you?

# BUY

If you have good credit, now may be a great time to buy.

### WHAT YOU NEED:

- **Steady income source.**
- **Good credit.** Credit scores of mid-700s or higher get the best loan rates.
- **A down payment.** Conventional loans require at least 5 to 10 percent down these days, with some banks asking up to 20 percent.

### WHAT TO DO:

- **Research the market.** Real estate Web sites and a knowledgeable real estate agent make it easy.
- **Be realistic about what you can afford.** That's what many sub-prime borrowers didn't do. Some believed unscrupulous lenders who approved them for unrealistic amounts; others didn't take time to understand the terms of their loans.
- **Get pre-qualified.** This status can give you negotiating power.
- **Educate yourself.** If you don't understand what a lender is telling you, ask him or her to explain it until you do. USAA mortgage representatives can offer advice from non-commissioned real estate consultants.
- **Understand insurance costs.** "Have enough insurance to rebuild your home," says Jeanne Salvatore of the Insurance Information Institute (III). "If you don't, you could find yourself underinsured." USAA offers homeowners coverage that provides an additional 25 percent above the dwelling's insured value.

**» VISIT USAA.COM OR CALL (800) 531-USAA (8722)**

# SELL

In this market, it's unlikely you'll sell for the highest price. But if you must ...

### WHAT YOU NEED:

- **Strong reason to sell.** A job transfer, a permanent change in station or divorce. Empty nesters who want to downsize should wait until the market recovers, and newlyweds may need to settle for the bachelor pad while they look.
- **Patience.** Average selling times vary depending on where you live and sales prices in the area.

### WHAT TO DO:

- **Price it right.** Go online or ask a real estate agent for today's worth. "Don't listen to your cousin, aunt or neighbor who sold two years ago," says Pat Vredevoogd Combs, past president of the National Association of Realtors (NAR).
- **Spruce it up.** Clear clutter, update and make repairs. Consider a home equity loan for major repairs, but make sure you'll get the money back from the sale.
- **Offer incentives.** Offer to pay for the buyers' closing costs, moving expenses, appliances or upgrades. "Most buyers can pay the mortgage costs; it's the upfront costs that are troubling," says Marc Savitt of the National Association of Mortgage Brokers. "You want to be able to help the buyers get in."
- **Get help from the pros.** USAA members can rely on a network of certified real estate agents through the USAA Movers*Advantage* program and qualify for a cash-back bonus of up to $3,100 when buying and selling.[1]

**» GO TO USAA.COM/ MOVERS*ADVANTAGE***

# HOLD

Staying put? Stay on top of maintenance or invest in improvements. "Get ready for when the market turns," says NAR's Combs. Review mortgage terms and insurance coverage, and track mortgage rates to see if refinancing makes sense.

### WHAT YOU NEED:

- **Reason to stay.** You plan to live in your home for at least two more years, building equity.
- **Capital.** You may need to draw on savings or tap an equity line of credit to pay for maintenance, repairs or upgrades.

### WHAT TO DO:

- **Get everything in working order.**
- **Renovate, replace or update.** Lay new carpet, repaint walls or redo a bathroom. Remove popcorn ceilings or replace dated light fixtures or appliances.
- **Improve energy efficiency.** Insulate walls, plug wind leaks and use compact fluorescent light bulbs.
- **Review insurance.** Make sure your homeowners insurance is current. "If you've made any improvements to the home, keep your insurance coverage up to date," says III's Salvatore.
- **Refinance.** Mortgage rates are hovering in the mid-5 percent range nationally. If you have an adjustable rate or a balloon loan, now is optimal for refinancing to a fixed rate. If you have a fixed rate above 6 percent, you might save by refinancing now, too.

**» CHECK USAA.COM FOR THE LATEST MORTGAGE RATES THAT MIGHT BE AVAILABLE TO YOU**

PHOTO ILLUSTRATION BY RYAN ETTER

# MARKET VALUE VS. REPLACEMENT COST

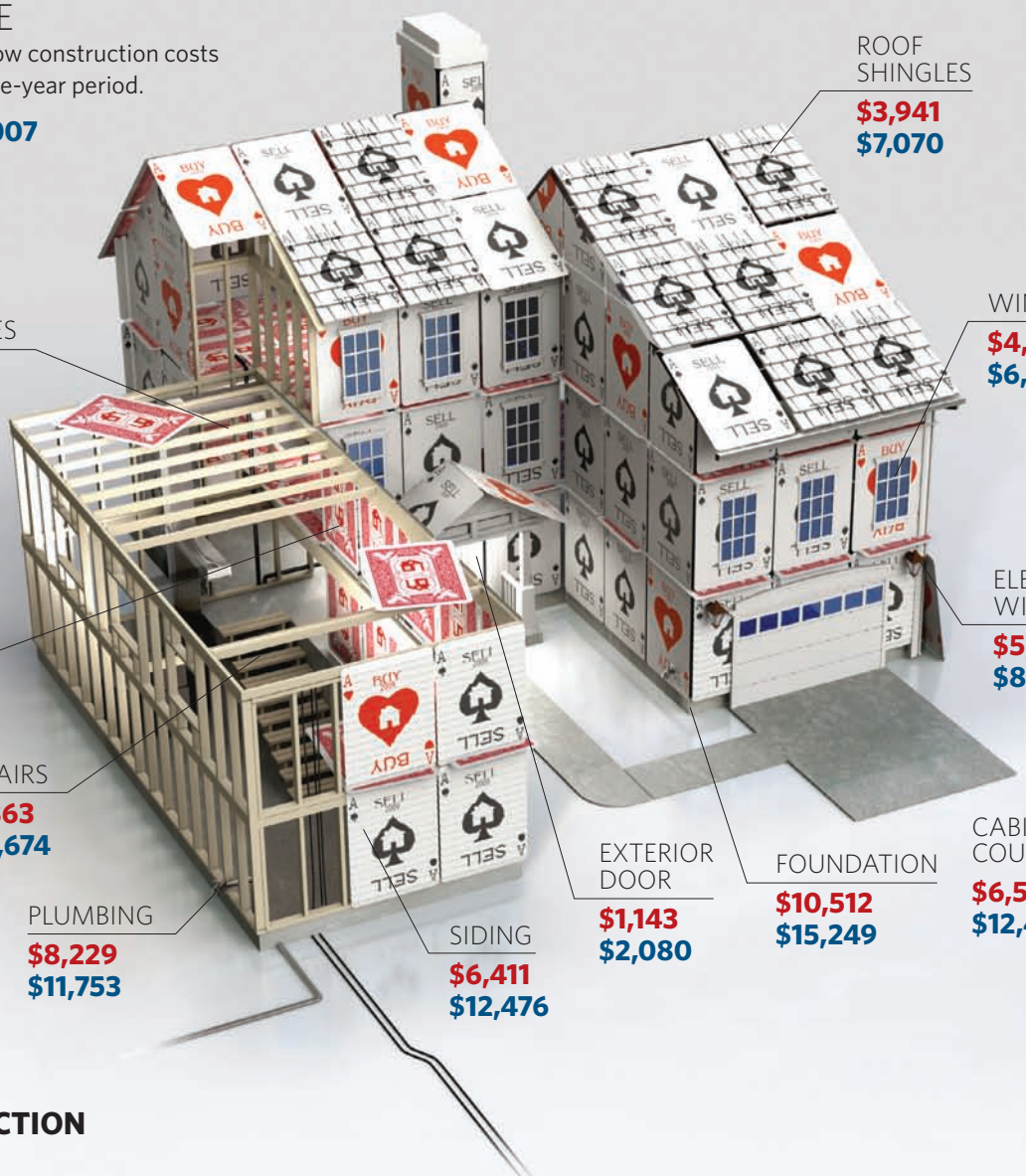
What you pay to buy your house may actually be lower than the cost of building the same house from scratch. That's why it's important to keep your insurance coverage updated and adequate, helping to cover what it would cost to rebuild in the event of total loss.

In many parts of the country, housing prices have fallen as much as 30 percent in the last three years. Meanwhile, construction costs — including concrete, lumber, steel and labor — are ever rising, due to global demand for raw materials. Even with transportation costs falling with the price of oil, it's smart to plan for the potentially expensive construction costs.

## ON THE RISE

See for yourself how construction costs rose in a recent five-year period.

■ 2002 ■ 2007




**TOTAL CONSTRUCTION COST***

**$151,671 ▪ $219,015**

*excluding labor and demolition

*Source: National Association of Home Builders; average construction costs for 2008 available summer 2009*

## »USAA AND YOU

**USAA offers 125 percent of the home's insured value in the event that the rebuild cost is greater than the policy limit. For more, turn to page 28 or go to USAA.COM and search Home & Property.**

# DURING THE DOWNTURN

## USAA EXPERTS SHARE THEIR STORIES

ILLUSTRATIONS BY ANDY FRIEDMAN

Find out how investment managers at USAA have been coping with market volatility in their *own* portfolios

**BY JOHN GILLIAM**

It's comforting to think that investment pros cope with bear markets without breaking a sweat. But that defies human nature.

No one — not even the most seasoned financial planner — is entirely sanguine these days. Like us, the money experts are witnessing the values of their houses and investments go way down, jobs disappear at an alarming rate and great American companies stand on the brink, while government authorities often seem unsure of the way forward.

The most-asked question from *USAA Magazine*'s reader panel was loud and clear:

# "How are USAA experts handling their own personal finances in this turbulent market?"

During one of the worst weeks of the downturn, we polled more than 50 Certified Financial Planner™ practitioners who work at USAA. The results generally revealed long-term confidence in the economy and markets. Among the key findings:

- **It's open season on buying stocks.** Many CFP practitioners viewed the current financial situation as an opportunity of a lifetime. In fact, two-thirds have bought stocks during the financial crisis.
- **Staying the course.** Only 5 percent have moved money out of stocks or bonds into cash, and 75 percent haven't changed their overall investment approach, although one in three is more concerned about having enough money to retire.
- **Back to basics.** A majority are cutting back spending on non-essentials and focusing on reducing debt and building up their emergency funds.

The majority of planners aren't checking their account balances more often than they did a year ago. But one in five is checking the market five to 10 times a day.

The CFP practitioner you speak to when you call USAA isn't seeing the world through rose-colored glasses, but does see opportunity amid the panic.

So do the following three top USAA investment managers, interviewed recently about their bear-market views and personal financial habits. As a group, they have a hand in the management of tens of billions of member assets. Here's how they manage their own.

Ron Sweet, vice president of Equity Investments

## RON SWEET: "My strategy is active, yet disciplined."

With a 46-year lifetime full of academic, business and spiritual pursuits, Ron Sweet has very simple tastes. "I have found the secret to financial success is to live contentedly well below my means, with no debt on my car, condo or anything else."

Sweet plans to retire early from USAA. By tracking his budget and knowing his living standards, he has made a series of very conservative investments that he is certain will provide for his needs after retirement. His decisions now, he believes, will allow him to continue to teach finance and risk management courses at The University of Texas–San Antonio, pursue his lifetime love of music and intensify his outreach work for his mother's ministry in Austin, Texas, and a medical ministry in Costa Rica. None of Sweet's core personal investments — in municipal bonds, CDs, hedged equities and annuities — have changed as a result of the bear market. What he has done with the remainder of his assets is implement a trading strategy based on an assumed continued volatility in the S&P 500. "It's a very active, yet very disciplined strategy, using a portfolio that funds my charities," he says. At the end of 2008, Sweet felt the U.S. stock market was over-sold and that the current financial stress will be relieved as 2009 progresses.

His advice for members: Consider your life stage and invest accordingly. "In the past few years," he explains, "we've built a number of products for USAA members at different stages of life offering low-cost access to sophisticated investing tools once reserved for the very wealthy." He's a big proponent of young members continuing to systematically invest in the stock market, but thinks many investors near retirement may be taking too much risk. "Markets, like life, will continue to surprise us; all you can do is have a sensible plan, one that suits your lifestyle and goals," Sweet says. "I would definitely recommend any member call USAA and take advantage of our financial planning services."

## WASIF LATIF: "Time is on my side."

Wasif Latif,
assistant vice president
of Equity Investments

At 38, Wasif Latif finds a silver lining in the brutal bear market that began in October 2007. "I have time on my side, so I see this admittedly uncomfortable downturn as a buying opportunity," he says. "I've continued to contribute to my retirement accounts through systematic investing. I don't know where the bottom will be, but I have no doubt that in five years I will have participated in a big upswing, and, therefore, will look back on this as a good entry point." As an allocation expert, Latif has put his money where his mouth is during the bear market. "My portfolio is close to — if not identical to — the aggressive discretionary accounts we manage for members," he says. "I'm doing what we're advising members in my situation to do."

Despite the negativity in the media, Latif thinks any talk of an economic depression is unrealistic. "Our financial leaders have history on their sides, having the knowledge of what went wrong in the economy leading up to the Depression," he says. "So, while they did not recognize the signs early enough to stop the current crisis, they now seem to be taking the appropriate actions to squash deflation. The good news is that the action is globally coordinated — we're all truly in this together, and it seems that leaders all across the world get it."

As he looks out over the coming years, Latif thinks that all the money governmental authorities are throwing at the global financial crisis will rekindle inflation and cause the dollar to weaken. "The asset classes that are most popular right now, particularly U.S. Treasuries, are offering false security. If you're young and believe in the resiliency of the global economy, now may not be the time to be conservative. I still believe in the longer-term growth story."

## DIDI WEINBLATT: "Everything is cheap, but I'm buying bonds."

Didi Weinblatt, manager of USAA's flagship bond fund, felt the credit crisis coming. She told this writer as early as 2005 that she was very uncomfortable with the lack of standards in lending and underwriting. While her initial position was not necessarily popular at the time and had a cost in short-term performance, her prudence has paid off for members in the fixed-income funds she manages.

She's basically stood pat in her own portfolio throughout the downturn, having set up an asset mix appropriate for her as she nears retirement. "Everything is cheap, including stocks," she says. "But at my age, I'm a bond buyer, and bonds in many cases are as cheap as they've been in my career." For tax-deferred accounts, she is looking at corporate bond funds such as her own USAA Income Fund; for taxable money, she sees great value in tax-free municipal bond funds.

On a personal and professional level, Weinblatt has been tremendously disappointed in how the so-called "leaders" of the financial markets led us into this crisis. "The abdication of responsibility on Wall Street — and among the regulators, ratings agencies and some borrowers — has been stunning."

Weinblatt's long-term philosophy is that markets swing between greed and fear. "By 2006, the pendulum had swung way too far toward greed; today's markets are overwhelmed by fear," she says. "We'll find a way to muddle through this mess, but getting investors out of this fear-based mentality is going to be a slow process. Nonetheless, for those who can take a longer-term view, the fear in the market makes for a good buying opportunity. Eventually the market will recover, and I think any purchases made today of good-quality securities will look good in the long run." ■

### SET YOUR STRATEGY

**Want to talk about your investment concerns? Call USAA at (800) 531-USAA (8722).**

Didi Weinblatt,
vice president of Mutual
Fund Portfolios

This material is for informational purposes and is not investment advice, an indicator of future performance, a solicitation, an offer to buy or sell, or a recommendation for any security. It should not be used as a primary basis for making investment decisions. Consider your own financial circumstances and goals carefully before investing.

Systematic investment plans do not assure a profit or protect against loss in declining markets.

# BUDGETS ARE THE NEW BLACK

BY JEAN CHATZKY

The days of "it" handbags, designer dog wear and using your house as an ATM are gone. Perhaps for good. Today, thrift is hip

ABOUT A YEAR AGO, Jessica Reed, a contractor for the Air National Guard from Delran, N.J., was in the hole. There was a $22,000 auto loan, a $19,000 personal loan and credit cards at $9,000 and $2,900, respectively. It all added up to $52,900 — and a whole bunch of sleepless nights. So Reed decided to do something about it.

Despite the fact that the country was still living in the free-spending days before news of the recession sank in, she decided to pull in the reins, to stop the madness. No more mani/pedis. No more DVDs.

Reed's friends were cool to her new frugality. "They made fun of me," she says. "They told me only old people were on a budget." Reed didn't care. She stuck to her guns and to her spending plan. When she realized she wasn't really watching her cable, she shut it off and saved $30 a month, $360 a year. Ditto with all those cell phone minutes she wasn't using. Trimming her plan saved another $40 a month, $480 a year. The result: Reed has been able to more than double the meager minimum payments she used to fork over to her creditors. Today, somewhere between $1,400 and $1,700 each month — 75 percent of her take-home pay — goes toward paying off those debts, which she's trimmed in total to a much more respectable $38,000.

She feels great. And those friends? Once Reed told them about the hundreds of dollars she was saving, they wanted in on the action. They wanted tips. "I'm seeing more of my friends budget these days," she says. "We talk each other out of things at the grocery store and when we're shopping."

What a difference a year makes.

Today, it's hip to be thrifty. Why else would the revenue of Family Dollar stores pop up more than 8 percent in a recent quarter while revenue at Macy's and most other full-price retailers decline? Why else would *The New York Times* devote a half page to "The Humble Coupon's Resurgence." When else would you see *Vogue* magazine ask top designers for their holiday gift picks *under* $100?

No doubt about it. Budgets are the new black.

The question is do you know how to budget? Do you know how to create a spending plan that makes sense given your financial life, then put it to work?

I'll fill you in on one important fact. The creation is actually the easy part. It's the sticking-to-it that takes a bit of effort and strategy. Reed put it well: "I always tell people that budgeting is like a relationship. If you don't commit to it, it's not going to work." Here's what you need to know.

## KNOW YOUR GOALS

Just like diets are most successful if there's a reason behind your mission (a pending high school reunion, a cholesterol number that's out of control), budgets work best when there's a why. Reed, for instance, explains: "I was not enjoying life because I spent every extra penny I had toward paying off my debt. I was tired of struggling and living paycheck to paycheck with nothing to show for it."

So ask yourself these questions: Why are you doing this? Are you feeling that you're not saving enough? Are you fearful you'll be caught up in the next round of layoffs? And what are you aiming for? Reed wants to be debt-free by December 2010. Others want to build a six-month emergency cushion or to fund at least part of college for a child now in grade school. The answers give you something to come back to each time you're tempted to fall off the plan.

**PLAN YOUR SPENDING AT USAA.COM.**
SEARCH BUDGET WORKSHEET

## KNOW WHERE YOUR MONEY IS GOING

The easiest way to build a budget is to figure out where your money is going today, then decide what you can change about where it's going to go tomorrow in order to meet those aforementioned goals.

What's the best way to figure out where your money is going? Monitoring the monthly bills is the easiest part — there's a paper trail for those. It's the smaller transactions that muck up the works. And there are several solutions. You can keep a notebook in your bag, briefcase or back pocket and log everything you spend. (That's Reed's method.) You can get a receipt for every purchase — even the small ones — stuff them in your wallet and once a week download those into a spreadsheet or personal finance software program. (That's mine.) Or you can sign up for an online service like Geezeo.com or Mint.com and have your bank and credit card transactions downloaded into a program that will analyze your spending and tell you where the money's going. (I've started to do that as well.)

Choose the one that fits your personality best. "You have to be realistic," says Jill Fraser, a longtime personal finance writer whose blog Econowhiner.com attracts all types of budgeters. "If you take my personal life, my husband and I are very different. If I threw myself into it I could write down every nickel and dime, but for him, that would never work. He thinks, 'How can buying one more newspaper or one more cup of coffee make a

PHOTOGRAPHY BY AARON GOODMAN PHOTOGRAPHY

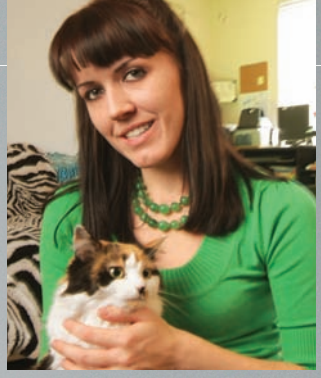


PHOTO BY JIM JUDKIS

> "I always tell people that budgeting is like a relationship. If you don't commit to it, it's not going to work."
> *– Jessica Reed*

difference?' So we have to come to a common ground. He's better at looking at big things, like not going out to dinner on Friday nights to save money. And I look at the small ones. You have to look at your temperament and what you can and can't do over the long term."

## KNOW WHERE YOUR MONEY SHOULD GO

Seeing where the money is going is an eye-opening experience. Most people have no idea that they're dropping $100 a month, say, on birthday gifts for all the parties their children attend, or that those weekly trips to the dry cleaner add up to such big bucks. Many people know how much of their money goes to pay the cell phone bill — but haven't stopped to see how big a slice of their spending pie that has become.

Here's a look at how your budget should break down. This is where your net income goes, by the way, not your gross.

- **Housing:** 35 percent. This includes not just your rent or mortgage, but utilities, maintenance, taxes and insurance.
- **Transportation:** 15 percent. Again, not just your car loan, but the money to pay for gas, parking and upkeep, as well as any taxis or public transportation.
- **Other debt repayment:** 15 percent. Not your mortgage or car loan, but student loans, credit cards or other debts.
- **Savings:** 10 percent. Non-negotiable.
- **Life:** 25 percent. This is everything else. Your clothing, travel, health care, fun.

There is only one rule: Borrowing is allowed, except from savings. You may need to borrow from one bucket to supplement another — particularly if you live in a part of the country where it's nearly impossible to bring that housing cost in under 40 percent. As I noted above, that 10 percent allocated to savings (which includes any contribution you make to a retirement account) is non-negotiable.

## MAKE SOME CHANGES

Now that you can see where the money is going, and where the money should be going, you can start to make changes. First, go line by line, as Reed did, chopping the cable, cell phone, video rental or other services you're not really using. Then attack the cash and debit card transactions.

The easiest way to limit your cash spending, believe it or not, notes Kathryn Finney, founder of TheBudgetFashionista.com, is by spending only cash. "That is almost revolutionary for some people," she notes. Here's how you do it: Every week take out all the money you're going to use for that week, put it in an envelope and use that. You go to the ATM once and do not go back. When all the money is gone, you're done for the week. If you're looking for a meal, it's time to raid the fridge. "Someone asked me what you do you when you run out of money," Finney notes. "And I said, 'Hello! You don't spend any more.'"

Small changes are, of course, easier than big ones, which is why you should make them first. If they don't do the trick, then you need to look at some larger items including the car or cars you're driving, the private schools or camps your kids attend, and, last but not least, the house you're living in.

## SHARE THE (NEW) WEALTH

Finally, once you're with the program, by all means share it with those around you. Budgeting, as Reed learned, is much more fun — and you're likely to be more successful — if you can involve those close to you. She notes: "When a friend shares a common goal with you, then you have that extra boost of willpower to not eat out or purchase that bigger television. The old phrase "safety in numbers" works fantastically for me." ■

*With reporting by Arielle McGowen*

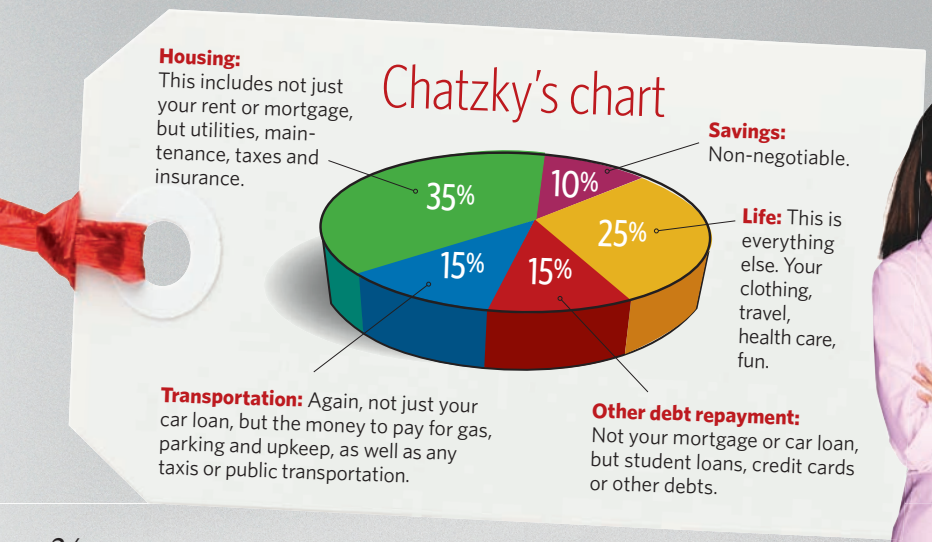



PHOTO COURTESY OF JEAN CHATZKY, PHOTOGRAPHED BY DARRYL LESTRINE

Jean Chatzky, award-winning journalist, best-selling author and motivational speaker, is helping millions of men and women battle debt. Her newest book, *The Difference: How Anyone Can Prosper in Even the Toughest Times* (Crown Business) debuts in March.

# USAA CAN HELP YOU BUY OR SELL – OR BOTH!

In the midst of the challenging housing market last year, USAA members Brad Snook and Karin Ruschke wanted to move. The married couple turned to the Movers*Advantage*® program, which pairs members with expert agents and offers cash-back bonuses when they buy or sell a home.

"In a down market with an average sales time in excess of nine months, our agent had our 11-year-old condo under contract in about five weeks, at 96 percent of our asking price, in a market glutted with flashy new construction," Snook says. "She also provided us dogged efforts to find a new home faster than anyone had predicted. Start to finish, we closed in about three months."

## BRAD AND KARIN GOT A CASH BONUS THROUGH MOVERS*ADVANTAGE*.[1]

| | |
|---|---|
| $1,550 | when they sold their condo |
| $1,550 | when they bought a new home |
| + $100 | for getting their mortgage through USAA |
| $3,200 | TOTAL CASH BONUS |

Find out more on page 28.
» GO TO USAA.COM/Movers*Advantage*

PAGE 26
EASY NO-FEE IRA SOLUTIONS

PAGE 27
CDs: GUARANTEED GROWTH

PAGE 29
SMART MORTGAGES

PHOTOGRAPH BY JIM LUNING

# MAXIMIZE YOUR IRA

**PLUS,** CHECK OUT OUR CD IRAs FOR GUARANTEED RETURNS!

INDIVIDUAL RETIREMENT ACCOUNTS

## Saving Smart

A well-planned, tax-deferred retirement portfolio will:

- **Maximize your IRA contributions**
- **Minimize your tax burden**

This tax season, let a USAA financial advisor help craft an IRA solution that makes the most of your savings, earnings and investment dollars. Fund your traditional IRA or Roth IRA with any of these options:

### SAVINGS ANNUITIES

- **NO MARKET RISK**
  Your money is guaranteed to grow regardless of market conditions
- **TAX-DEFERRED GROWTH GUARANTEED**
  Tax-deferred interest helps you reach retirement goals faster

### USAA TARGET RETIREMENT FUNDS

- **SOLID**
  Highly rated
- **SUPER-LOW FEES**
  No load funds
- **EASE**
  Works with your retirement timeline

### USAA BROKERAGE

- **MEMBER DISCOUNTS**
  25 free online trades with new accounts opened online PLUS online trades for as little as $5.95
- **INDUSTRY-LEADING SERVICE**
  Ranked No. 1 for overall customer satisfaction by the American Association of Individual Investors
- **FREE ONLINE TOOLS**
  Buy, sell and hold recommendations, customizable tickers and more

**Speak to an IRA specialist today.**

» **GO TO USAA.COM** (search: IRA) **OR CALL (800) 472-8722**

**Investments/Insurance: Not FDIC Insured • Not Bank Guaranteed • May Lose Value**

Consider the investment objectives, risks, charges, and expenses of the USAA mutual funds carefully before investing. Contact us at (800) 531-8181 for a prospectus containing this and other information about the funds from USAA Investment Management Company, Distributor. Read it carefully before investing.

SPOTLIGHT

## Professionally Managed Portfolios

**USAA Strategic Fund Advisor®**

**FOR** a flexible portfolio of mutual funds based on your age, risk tolerance and financial goals

**Global Opportunities Portfolio**

**FOR** a portfolio with worldwide exposure that mitigates risk and targets long-term moderate growth

» **CALL (800) 292-8620**
Required minimum investment: $50,000

**USAA Private Investment Management**

**FOR** a portfolio of stocks, bonds and mutual funds customized by a dedicated advisor to meet your goals

**USAA Trust Services**

**FOR** a team working to integrate your investments and estate planning

» **CALL (800) 332-8310**
Required minimum investment: $500,000

PHOTOGRAPH BY TOMAS RODRIGUEZ/VEER

# NO MARKET RISK

RATES AS HIGH AS 3.86% APY[2]

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## Open a CD for as Little as $1,000

It's all growth, no market risk with USAA Certificates of Deposit. Choose one of our Fixed Rate options and lock in your rate of return. Or choose an Adjustable Rate CD and take advantage of a one-time interest rate increase.

From USAA Federal Savings Bank

**Find a great rate.**
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(search: USAACDs)

SAVINGS ANNUITY

## Guaranteed Growth

- Count on zero market risk
- Tax-deferred interest – your savings will grow faster than with other taxable alternatives
- Up to 5.7% interest[3] with a guaranteed minimum of 1 – 3%
  - Currently we will add a 4% premium bonus for any money you put into the annuity during the first 12 months. The bonus rate will never be less than 1%

From USAA Life Insurance Company and USAA Life Insurance Company of New York

RATED "AAA" BY STANDARD & POOR'S!*

**Get peace of mind.**
» **GO TO USAA.COM**
(search: Annuity)

*Rating applies to USAA Life Insurance Company and USAA Life Insurance Company of New York, not to the products or services offered. Company ratings represent an opinion of financial strength and the company's ability to meet ongoing obligations to policyholders.

See page 30 for important legal information.

USAA.COM

# SMART MONEY MOVES

USAA HOMEOWNERS INSURANCE

## Better Protection. Better Pricing

How does your current policy stack up?

- Does it offer 125 percent of the insured value in the event the rebuild cost is greater than the policy limit?
- Can you get your claims paid in 24 hours after completing the claim with direct deposit?
- Are you covered against identity theft at no additional cost?

**Get a quote online.**

**» GO TO USAA.COM**
(search: USAAHomeowners)

Our new Homeowners Insurance may not yet be available in your state. You can still enjoy your current USAA homeowners policy. In coming months, check USAA.COM for availability of the new homeowners product in your state.

MoversAdvantage®

## Buying or Selling?

Simplify the whole process and get up to $3,100 back! It's all part of Movers*Advantage*® – the hassle-free way to buy and sell your home.[1]

- Your dedicated Movers*Advantage* specialist will assist with every step
- A real estate agent from our network will work with you
- You could receive up to $3,100 when you buy and sell your home

**Real estate services you can trust.**

**» GO TO USAA.COM**
(search: MoversAdvantage)

See page 30 for important legal information.

ILLUSTRATION BY ANNIE BISSETT

# OUR NEW HOMEOWNERS INSURANCE VS. THE INDUSTRY†

## HOME

### Replacement Cost

USAA offers coverage for up to 125 percent of the home's insured value, providing extra protection in the event that unanticipated rising construction expenses make rebuilding costs higher than the estimated rebuild insured value.‡

### WAR-CAUSED LOSS

**USAA:** $10,000 coverage with no deductible for personal property abandoned, damaged or destroyed due to war while on active duty outside the United States (the only insurer to provide this coverage)

**INDUSTRY:** None

### MILITARY UNIFORM AND EQUIPMENT

**USAA:** Personal property limit with no deductible charge

**INDUSTRY:** Charges a deductible

### PERSONAL LIABILITY LIMITS

**USAA:** $300,000 coverage, with the ability to increase coverage for an additional cost

**INDUSTRY:** $100,000 with the ability to increase for a cost

### SPECIAL LIMITS FOR THEFT

| Jewelry/Furs | Silverware | Firearms |
|---|---|---|
| **USAA:** $10,000 coverage | **USAA:** $10,000 coverage | **USAA:** $10,000 coverage |
| **INDUSTRY:** $1,000 coverage | **INDUSTRY:** $2,500 coverage | **INDUSTRY:** $2,000 coverage |

†Restrictions apply. Industry data as of summer 2008.

‡Additional 25% coverage applies to your dwelling only, not its contents.

United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, Garrison Property and Casualty Insurance Company, and USAA Texas Lloyd's Company. San Antonio, TX. Each company has sole financial responsibility for its own products.

## BUSINESS PROPERTY

On Premises:

**USAA:** $10,000 coverage

**INDUSTRY:** $1,000 coverage

Off Premises:

**USAA:** $1,000 coverage

**INDUSTRY:** $250 coverage

## CONTENTS

Replacement Cost

**USAA:** Included

**INDUSTRY:** May be added, typically for a price

## IDENTITY THEFT

**USAA:** $5,000 coverage

**INDUSTRY:** May be added, typically for a price

## WATER BACKUP OR SUMP PUMP OVERFLOW

**USAA:** $10,000 coverage

**INDUSTRY:** May be added, typically for a price

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[1]Movers*Advantage*® offered by USAA Relocation Services, Inc., a licensed real estate broker and subsidiary of USAA Federal Savings Bank. Not available for employer-sponsored relocations, or for transactions in Iowa or outside U.S. This is not a solicitation if you are already represented by a real estate broker. Cash bonus limited in some states. Bonus ranges from $350-$1,550 based on sale price of home sold/purchased. You must enroll in program before contacting participating real estate firm and be represented by that firm at closing to qualify for bonus. Qualify for an additional $100 when you also finance your home purchase with a USAA mortgage.

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[2]$1,000 minimum opening deposit. 3.86% Annual Percentage Yield (APY) current as of 2/6/09.

[3]Rate effective 2/1/09, subject to change. The minimum guaranteed interest rate is subject to change and may vary by product and state. The minimum guaranteed interest credited to the contract will be 1%-3%. The minimum guaranteed rate is fixed and will not change after the contract is issued. FRA interest rates may change monthly. The interest rate shown is the effective annual rate for premiums received during the month shown and may not match rates applied to existing contracts. Interest credited to existing contracts depends on when premiums are received and the amount of premiums paid. Flexible Retirement Annuity: ARA33846ST 03-99 (varies by state); in NY, NRA36171NY 05-00. Call for details on specific costs, benefits, limitations and availability in your state.

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[4]$1,200 savings figure based on comparison of $200,000, 30-year fixed rate loan.

[5]Applies to conventional purchase loans only.

[6]Reward points terminate if account is closed, delinquent or program ends. Earn 1 point for every $1 in credit card purchases. Other restrictions apply.

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91032-0109

USAA Magazine
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MEMBER SNAPSHOT

# Gabrielle Giffords

*USAA member since 2007*

As a congresswoman and member of the House Armed Services Committee, Gabrielle Giffords can help influence policy for a new generation of military families. When the Arizona native married Navy Capt. Mark Kelly in 2007, she became a military spouse, adding dimension to the dialogue on Capitol Hill. Kelly, an Operation Desert Storm veteran, is now assigned to NASA, with three space missions under his belt. "I've experienced the camaraderie of military spouses firsthand," Giffords says. "Whether it's a space mission or a Middle East deployment, there's risk involved." Giffords notes that longer, multiple deployments have created new challenges for military families — and the Armed Forces. "The support systems we have built for them are straining," she says. In a culture where patriotism and sacrifice run deep, one of Giffords' challenges is getting military families to talk about their needs. "People know there's a national health care crisis, but may not be aware how military families are affected, especially when a service member returns from deployment or leaves active duty." She is elevating the issue to the Armed Services Committee.

PHOTOGRAPH BY DAN SNYDER PHOTOGRAPHY

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