



## I. INTRODUCTION

As a Command Financial Specialist, you are expected to assist Service members in your command in their efforts to help themselves. You will become capable of guiding Service members in developing a plan for earnings, spending, saving, and achieving their goals. This financial plan is the foundation of your CFS efforts. This chapter introduces the *Financial Planning Worksheet*, the main tool used by Command Financial Specialists in counseling/coaching.

You will get hands-on intensive instruction on the *Financial Planning Worksheet*. The five components of the *Financial Planning Worksheet* are: Net Worth Statement, Income, Budget or Spending Plan, Financial Health Assessment with Action Plan, Debt Destroyer, and Financial Links. Hands-on practical application of the FPW is part of the case study assignments. A computer demonstration of the electronic *Financial Planning Worksheet* (eFPW) will also be provided.

The importance of understanding all aspects of the FPW cannot be overstated. After completing chapters CFS 7 and CFS 8, you will be prepared to complete your own *Financial Planning Worksheet*, which is to be handed in for homework.

### Chapter Correlation to Common CFS Task Areas:

1. **Education and Training:** The Developing Your Spending Plan Module of the PFMSC is incorporated into this segment of CFST. Although the PFMSC module is not strictly modeled, students have adequate exposure to the topic to allow them to present this segment. Several training techniques are used in this chapter including active lecture, case studies, and group brainstorming activities.
2. **Information and Referral:** Through learning about and using the Action Plan (within the Financial Health Assessment) in the FPW, learners become familiar with an important tool and are exposed to information and referral aspects of increasing income and savings, decreasing living expenses, and decreasing indebtedness.
3. **Counseling/Coaching:** Learners are introduced to the the major tool used in financial counseling/coaching in the PFM program, the *Financial Planning Worksheet*, and thus the planning and budgeting process, which are major counseling/coaching tasks. Training on using the projected column puts learners in a future orientation, a key element of Solution-Focused Financial Counseling.



## II. LEARNING OBJECTIVES

Using the criteria in the *Financial Planning Worksheet* Checklist, the learner will accurately complete a personal *Financial Planning Worksheet*.

### III. REFERENCES

*Personal Financial Management Standardized Curriculum: Developing Your Spending Plan, Military Pay Issues, and Credit Management Modules.*

Waddell, Fred. *Solution Focused Financial Counseling in the New Millennium*. Auburn, Ala.: Genesis Press, 2001.

Garman, E. Thomas, and Forgue, Raymond E. *Personal Finance, 5th Ed.* Boston, Mass.: Houghton Mifflin Co., 1997.

[www.dfas.mil](http://www.dfas.mil) (Defense Finance and Accounting Service)

[www.bls.gov](http://www.bls.gov) (Department of Labor Consumer Expenditure Survey)

[www.irs.gov](http://www.irs.gov) (Earned Income Tax Credit)

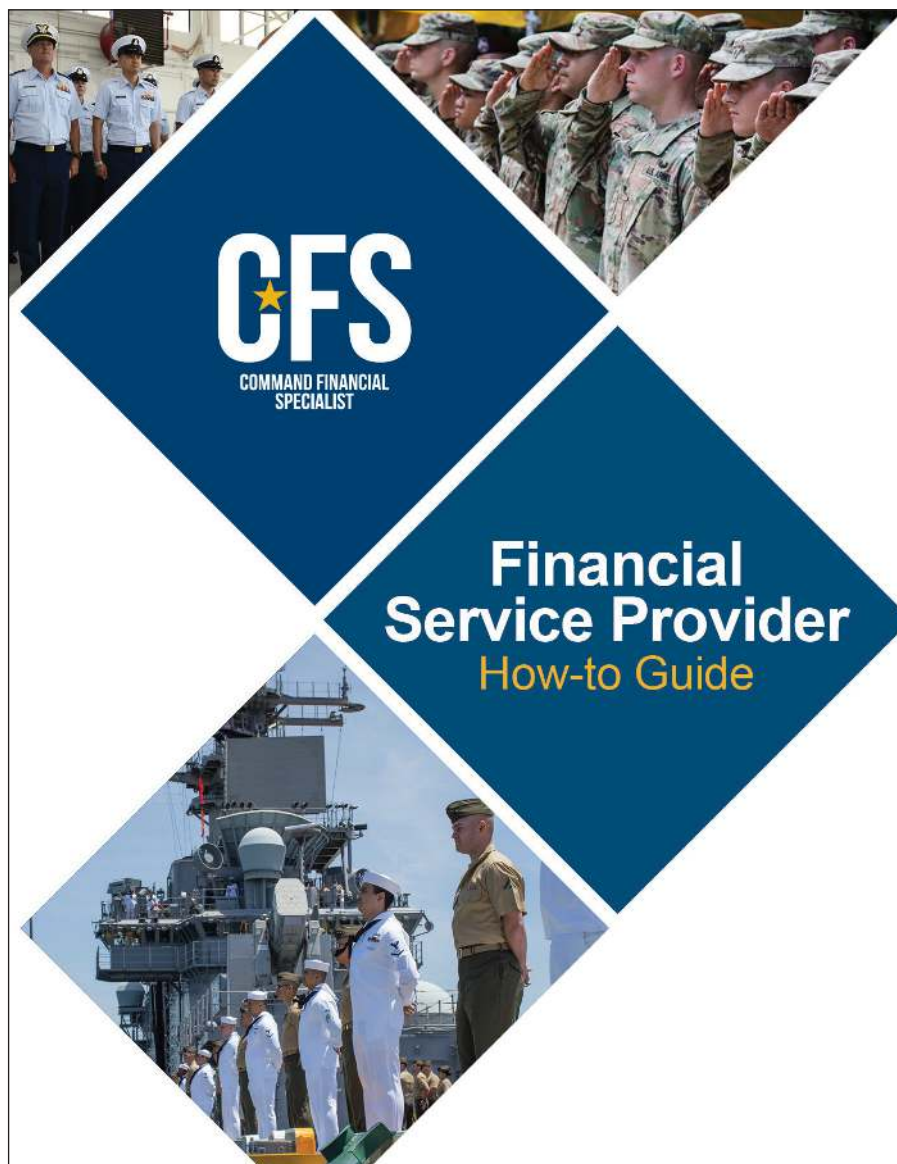
### IV. CONTENT

The electronic and PDF versions of the *Financial Planning Worksheet* (FPW) can be obtained from your Installation Family Support Center Financial Counselor or Educator. See Appendix E for a blank copy of the FPW. Updated versions of the electronic *Financial Planning Worksheet* (eFPW) and PDF FPW can be found on the PFM milSuite site.

# Financial Service Provider How-to Guide

Refer to the eFPW Instructions from the How-to Guide (this portion of the How-to Guide is found in Appendix E). The entire How-to Guide can be downloaded from the following resources:

- DoD Navy page: <https://www.navy.mil>
- PFM milSuite Site: <https://www.milsuite.mil/personal-financial-management-program-wfl/>
- CNIC website: [https://www.cnic.navy.mil/ffr/family\\_readiness/fleet\\_and\\_family\\_support\\_program/work-and-family-life/personal\\_finances/pfm-touchpoint-checklists.html](https://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/work-and-family-life/personal_finances/pfm-touchpoint-checklists.html)



# Budgeting Tip Sheet



## 1. General Budgeting Guidelines:

- Living Expenses = 70% or less of net monthly income
- Indebtedness as measured by the debt-to-income (D/I) ratio (minimum monthly credit payments, not including mortgage) = 20% or less of net monthly income
- Saving and Investing = 10% or more of net monthly income

For Navy and Marine Corps Service members, overseas screening debt-to-income ratios need to be less than 30% to be eligible for overseas assignments and certain special duties.

Note that when you go through the transition course to separate or retire from the military, you will see different ratios allowed for your debt-to-income (D/I) ratio. This is normal because civilian employment benefits rarely include housing and your mortgage is included in the calculations. D/I for transition includes any mortgages. Because of this, a D/I less than or equal to 33% is acceptable; 34% to 49%, be cautious about taking on more debt; more than or equal to 50%, seek financial assistance.

## 2. Debt-to-Income Ratio: Total of monthly debt payments divided by net income x 100. (Net income is calculated by taking all of your gross income minus the four taxes: federal taxes, state taxes, FICA Medicare, and FICA Social Security.)

Debt-to-Income Ratio Example: Total Monthly Debt Payment = \$300; Total Net Income = \$1,500  
 $\$300 / \$1,500 = .20$ ;  $.20 \times 100 = 20\%$

- Less than 15% – Proceed with caution; use caution when taking on more debt to avoid going over 20%.
- 15% to 20% – Full extended; refrain from taking on more debt, work with your CFS or your Installation Family Support Center Financial Counselor or Educator to keep debt within recommended limits.
- 21% to 30% – Overextended; do not take on more debt; pay down existing debt, strongly encouraged to work with your CFS or your Installation Family Support Center Financial Counselor or Educator.
- More than 30% – Seriously overextended; seek help from professional debt-management experts or your Installation Family Support Center Financial Counselor or Educator.

## 3. Change Federal Income Tax Withholding (FITW): Help the client check their LES or Payslip and verify how much income tax is being withheld from their paycheck. Many Service members overpay taxes, when they could use the money on a monthly basis. If they are over-withholding, suggest they change their W-4 FITW with their accounting or finance office, or via the myPay or Direct Access system. Ask the client what their income tax refund was last year. Refer clients to [www.irs.gov](http://www.irs.gov). Calculators on the IRS website can be used to determine withholdings, exemptions, and the impact of changes on cash flow. There is also more information in the How-to Guide for Financial Service Providers on withholding and the new tax laws.

4. **State Income Tax Withholding (SITW):** Must be changed separately from the change in FITW.
5. **Earned Income Tax Credit (EITC):** Is your client eligible for this refundable federal income tax credit for low-income and working individuals and families? The credit reduces the amount of federal tax owed. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. Income and family size determine the amount of the EITC. For more detailed information, see the IRS website, [www.irs.gov](http://www.irs.gov), or IRS Publication 596, The Earned Income Tax Credit and/or IRS Publication 3, Tax Issues for the Armed Forces.
6. **Food Stamps/FSSA:** Depending on your client's income and family size, they may qualify for food stamps, which would tie in with the military's Family Subsistence Supplemental Allowance.

# Financial Planning Worksheet Checklist



## NET WORTH

- Is cash value listed for insurance (not to include term policy or SGLI)?
- Did they use fair-market value of personal property (not what it cost originally)?
- Are debts owed to the government listed (advance/overpayments)?
- Is their net worth calculated?
- Do total liabilities match the total debt balances on the Indebtedness page (except for the mortgage balance)?
- Is the counselor information section filled out?
- Does the worksheet require a signature (financial Touchpoint, screening, required by command)?
- Is the worksheet dated?

## INCOME

- Are the entitlement amounts correct? Verify with LES/Payslip or pay table.
- Check federal tax filing status (M/S) and state claimed are entered.
- Are federal and state taxes manually entered?
- What are allotments/advance/overpayments for? When will they end? (Enter in Remarks)
- Is the spouse working and their income included?
- Are other income sources listed as after-tax figures?
- For Coast Guard members, is the Payslip entered correctly (double their numbers to get monthly totals)?

## SAVINGS AND LIVING EXPENSES

- Are there any monthly savings or investments listed? Pay yourself first and aim for 10% or more.
- Is there a cushion?

## INDEBTEDNESS

- Do the total debt balances on this page match the total liabilities on the Net Worth page (except for the mortgage balance)?
- Are the APRs, minimum monthly payments, and balances listed on the Indebtedness page?
- Has the debt-to-income ratio been calculated?
- Is there a surplus or deficit? Has the Cash Flow Summary been completed correctly?

## GENERAL

- Is any information counted twice?
- How do savings, expenses and indebtedness totals compare to 70-20-10 guidelines?
- Is there enough planned for insurance (auto, life, health, personal property)?
- Is money being set aside for holidays, anniversaries and birthdays?
- For those with children, even in public school, are any expenses listed under education?
- Are deduction and allotment items from the Income page carried forward as savings, living expenses, and debts?
- Are allotments used to contribute to savings and investments staying in those accounts, or, are they being pulled back out to pay for living expenses and debts?
- Are food expenses realistic? Check USDA estimates.
- Are personal expenses realistic? Have expenditures for all family members been included?
- Are the Remarks columns utilized?

## FINANCIAL HEALTH ASSESSMENT

- Does the Financial Summary match the Cash Flow Summary from the Indebtedness tab?
- Does Net Worth match the Net Worth tab?
- Are options listed on the Action Plan?
- Has the Projected column been used to include options listed on the Action Plan?
- Is there at least one short-term, one medium-term, and one long-term goal listed along with the plan for achieving their goals?

# Debt-to-Income Ratio Worksheet

Use this Worksheet to calculate your debt-to-income ratio.

- Write down your net income (gross income less taxes). 1. \_\_\_\_\_  
Net Income
- List your minimum monthly debt payments (include credit cards, car loans, signatures loans, etc. Do not include mortgage, rent, utilities, etc.). Determine the total of all minimum monthly debt payments.

## Minimum Monthly Debt Payments

- |    |       |    |       |                            |
|----|-------|----|-------|----------------------------|
| A. | _____ | \$ | _____ | 2. _____<br>Total Payments |
| B. | _____ | \$ | _____ |                            |
| C. | _____ | \$ | _____ |                            |
| D. | _____ | \$ | _____ |                            |
| E. | _____ | \$ | _____ |                            |
| F. | _____ | \$ | _____ |                            |
| G. | _____ | \$ | _____ |                            |
| H. | _____ | \$ | _____ |                            |
| I. | _____ | \$ | _____ |                            |
| J. | _____ | \$ | _____ |                            |

Divide total payments from Step 2 by the net income from Step 1 and multiply by 100

$$(2) \text{ _____ } \div (1) \text{ _____ } \times 100 = \text{ _____ } \%$$

**Total**

### D/I Ratio

### Is it a "safe level" of debt?

Less than 15%  
15% – 20%

**Proceed with caution;** use caution when taking on more debt to avoid going over 20%  
**Fully extended;** refrain from taking on more debt, work with your CFS or your Installation Family Support Center Financial Counselor or Educator to keep debt within recommended limits.

21% – 30%

**Overextended;** do not take on more debt; pay down existing debt, strongly encouraged to work with your CFS or your Installation Family Support Center Financial Counselor or Educator

More than 30%

**Seriously overextended;** seek help from professional debt-management experts or your Installation Family Support Center Financial Counselor or Educator



# Debt-to-Income Ratio Activity

## Example:

<b>Total Net Income:</b>	<b>\$3,750</b>
<b>Monthly Debt Payments:</b>	<b>\$680</b>
<b>D/I Ratio:</b>	<b>18.13%</b>
<b>Calculation:</b>	<b><math>\\$680 \div \\$3,750 \times 100 = 18.13\%</math></b>

- |                        |         |
|------------------------|---------|
| Total Net Income:      | \$2,000 |
| Monthly Debt Payments: | \$200   |
| D/I Ratio:             | _____   |
| Level of Debt:         | _____   |
  
- |                        |         |
|------------------------|---------|
| Total Net Income:      | \$6,460 |
| Monthly Debt Payments: | \$2,800 |
| D/I Ratio:             | _____   |
| Level of Debt:         | _____   |
  
- |                        |         |
|------------------------|---------|
| Total Net Income:      | \$3,230 |
| Monthly Debt Payments: | \$555   |
| D/I Ratio:             | _____   |
| Level of Debt:         | _____   |
  
- |                        |         |
|------------------------|---------|
| Total Net Income:      | \$5,290 |
| Monthly Debt Payments: | \$1,112 |
| D/I Ratio:             | _____   |
| Level of Debt:         | _____   |