Chapter Eighteen

Counseling Seminar

I. INTRODUCTION

This chapter focuses on counseling skills and assists you in developing a counseling strategy. The session will build on the introduction to counseling provided at the beginning of the week by providing Solution-Focused Financial Counseling techniques to use within the eight-step financial counseling model.

Chapter correlation to major OPNAVINST Task Areas:

1. **Education and Training**: This chapter has no direct correlation to the PFMSC. Training techniques used include active lecturing and role-play.
2. **Information and Referral:** Referrals to appropriate resources should be provided by the CFS during the role-play portion of this session.
3. **Counseling:** Solution-Focused Financial Counseling skills introduced in Chapter 6 are used to build additional counseling skills, procedures and techniques. Students have the opportunity to practice financial-counseling skills via counseling role-play practical applications.

II. LEARNING OBJECTIVE

Participating in a role-play activity, learners will demonstrate effective Solution-Focused Financial Counseling techniques.

III. REFERENCES

Waddell, Fred. Solution Focused Financial Counseling in the New Millennium. Monetta, VA: Genesis Press, 2001.

Pulvino, Charles, and Lee, James. Financial Counseling: A Strategic Approach. Madison, Wis.: Instructional Enterprises, 1991.

All Solution-Focused Financial Counseling components are adapted from Dr. Fred Waddell's manual, Solution Focused Financial Counseling in the New Millennium.

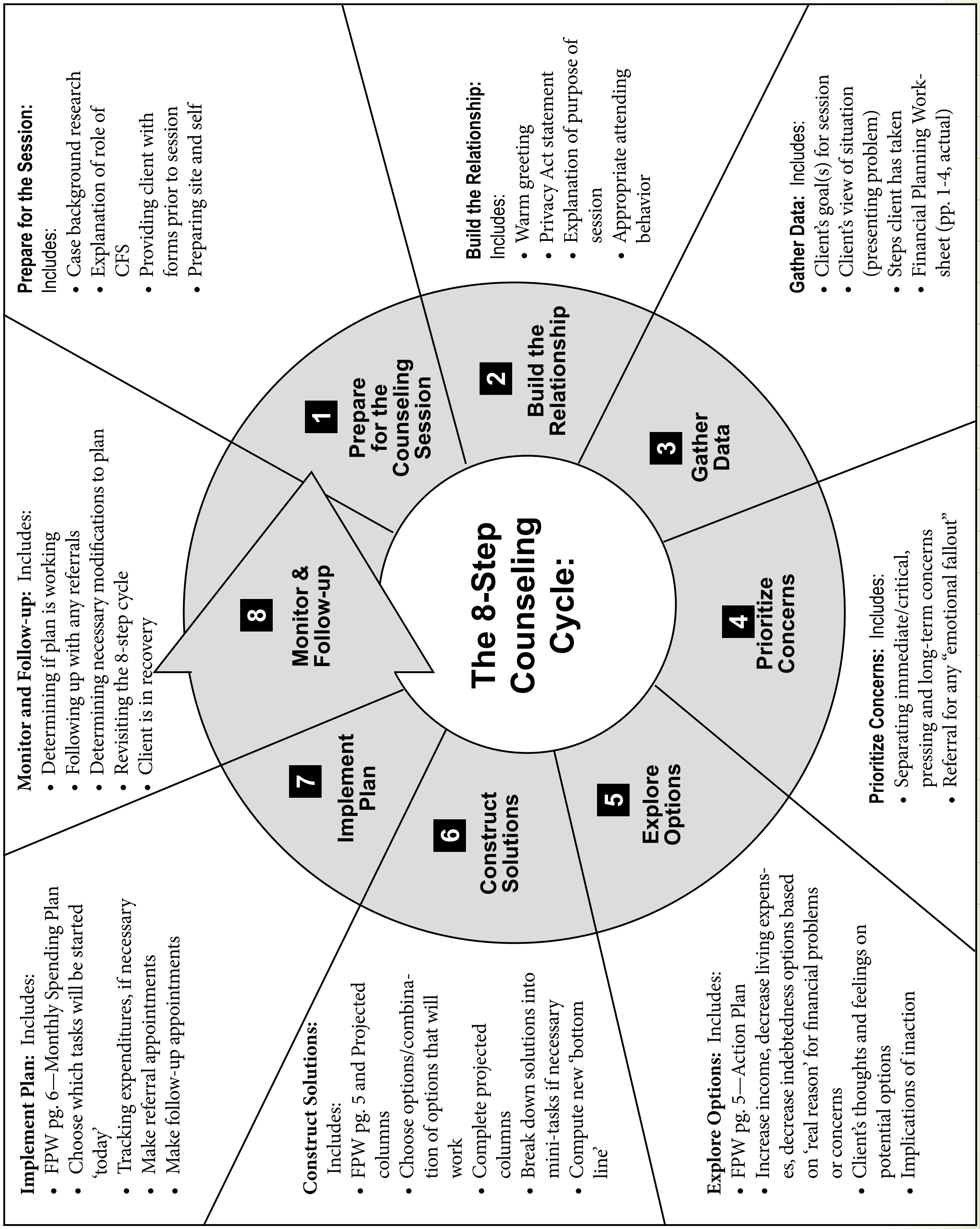
IV. CONTENT

Interviewing Checklist

- ☐ Are you ready for the session? Right frame of mind? Counseling materials at hand?
- ☐ Is the client ready for the session? Appointment? LES? Expenses? Supporting documentation?
- ☐ Cordial greeting
- ☐ Explain your role
- ☐ Remain objective
- ☐ Privacy Act Statement
- ☐ What does the client want to achieve? What does the client perceive as the problem?
- ☐ What does the client believe has lead to/contributed to this problem?
- ☐ What has the client identified as immediate concerns/needs?
- ☐ Are there any immediate needs (i.e., basic security, food, housing, transportation, clothing, medical attention, childcare, safety issues?) These must be addressed before attempting any further rehabilitative counseling.
- ☐ Long-term concerns/needs? Referrals?
- ☐ Are there situations requiring change or crisis intervention?
- ☐ Evaluate needs vs. wants
- ☐ Eye contact
- ☐ Active listening skills
- ☐ Who is talking more, you or the client?
- ☐ Tell me…
- ☐ Pay attention to what the client is saying and what the client is NOT saying. Is there a big gap in the story?
- ☐ What action has the client already taken?
- ☐ What are possible options/solutions? Benefits and risks of each? Ramifications of action and/or inaction?
- ☐ Develop a plan — client must choose the options that are right for his/her family/life.
- ☐ Spending log/record
- ☐ Is monitoring/follow-up an option? Internal? External?
- ☐ Referrals?
- ☐ Leading questions/lead-ins:
    - How can I help you today?
    - What do you see going on financially in your life?
    - What do you see as the cause of the situation?
    - How do you want to handle this?
    - What options have you considered?
    - What have you done so far?
    - How did that work?

Reminder: These are cues/clues to you. The client should be providing the information and solutions. Your job is to guide them into solving their own problems.

The 8-Step Counseling Cycle



Solution-Focused Financial Counseling Facts To Remember

Solution focused counseling is a way of thinking, a way of conversing with clients, and a way of constructing solutions interactively.

The Solution Focused Financial Counseling session structure is:

1. Short-term
2. Goal-oriented
3. Task-Centered
4. Positive
5. Encouraging

SFFC builds on basic techniques such as eye contact, reflective listening, attentive posture, nodding to indicate understanding, positive attitude, mutual respect, empathy vice sympathy, self-disclosure, genuineness, sincerity, honesty, remaining non-judgmental, and asking open-ended vice closed-ended questions.

Counseling Fundamentals

1. Normal People, Normal Problems: remember that clients are normal people with normal problems. Initially, most clients will be experiencing one or more of the full range of normal human emotions and feelings such as anxiety, sadness, anger, mild depression, failure, or frustration.
2. Situation will get better or worse without your help: realize that whatever the client's financial situation, it will either get better or worse even without any intervention by a CFS. Recognize that regardless of what you do, things will change, and with the help of a trained CFS, we increase the likelihood of change in a positive direction.
3. Client has the ability to solve their problem: they just need help in discovering what options and solutions exist. The CFS's can help clients better understand their present situation and motivate them to explore various options that will improve their situation.
4. Clients feel vulnerable: this is why building trust and confidence is so important to the SFFC process.
5. Couples have unique needs: by the time couples seek or are referred for financial counseling, they have already had a number of "intense discussions" about spending money and who played what role in their present financial situation. There is a tendency to blame each other for their present difficulties. It's important for a CFS to remember that couples have different values regarding the use of money. Avoid playing the role of referee. It is extremely important to get both spouses involved in being part of the solution. In cases where a CFS can work with only one spouse, recognize that whatever plan is developed must be "sold" to the spouse who is not present. Joint ownership and joint commitment are essential for any financial plan to succeed.

Financial Counseling Procedures and Techniques

1. **Initial contact** should **start with a smile** and **warm greeting**. Recognize that people may be apprehensive. It is important to make **small talk** or use humor to help them **relax**. **Compliment** them on their willingness to work with you, for being on time, or for bringing spouse, etc.

   "I want to congratulate you on your willingness to work with me to improve you financial situation."

   "Thanks for being on time and for bringing your spouse."

   "It looks like you came prepared!"

2. **Privacy Act Statement**—Explain the Privacy Act Statement and get client to **sign.**

   "Because I keep a record system, I need you to read and sign a Privacy Act Statement. You need to know that personal information discussed here stays here, unless you disclose something illegal or that is a violation of the UCMJ. Then I'll have to report that up the chain of command."

3. **Normalize** client's **feelings** and **past experience** with personal finances.

   "Most of us have experienced a financial crisis at some time in our lives."

   "I understand it can be uncomfortable to discuss personal finances with others, however, we will need to take a close look at what's going on in order for both of us to understand your financial situation. Once we know exactly how things stand, we can then focus on solutions to improve your situation."

4. **Expectation question**—This is used to find out what the client **wants** or **expects**.

"What would you like to accomplish in the (short) time we have available? In other words, what would you like to leave here with?"

   This will also serve to help you and your clients identify their presenting financial problems.

5. **Cost Question**—Helps the client to see **how** their presenting financial problem/s is/are **affecting** their **life.**

   "I'm wondering, what [problem] has **cost** *you already, not just in terms of dollars, but also in terms of your ability to concentrate on your work, your job performance, your relationship with other key people in your life (e.g. your family), in terms of self-confidence and self-respect, or in terms of peace of mind?"*

   After they respond to this question, follow-up with what they want to change.

   "What specifically do you want to change?"

   Compliment client(s) on identifying what's going on and their desire to want to make some changes in how they manage their personal finances. This is a good time to **introduce the Financial Planning Worksheet** (FPW).

   "Congratulations on taking positive action to do something about your current financial situation. What I would like to recommend is that we use a Financial Planning Worksheet that has been developed especially for military members and their families. It will help us take a 'financial snapshot' so that we can see exactly what your financial situation is as of today."

   Emphasize to your client(s) that their FPW and the resulting plan that you will help them develop will only be as good as the information they provide. You can also remind them that it works like the old saying regarding the use of computers.

   "This plan will only be as good as the figures that you provide. It's sort of like that old saying about using computers, garbage in garbage out."

6. **Data gathering time.** Use the FPW to begin the financial planning process once you feel the client is ready. Avoid any judgments or assessments. Just **gather** or **review** the **information** provided. Avoid verbally or non-verbally confirming client's self-limiting beliefs and statements. This is data gathering time, it's **not** problem solving time. *TRUST THE PROCESS! IT REALLY WORKS!* Once you have calculated the surplus or deficit and the debt-to-income ratio, ask the client how they feel about the **accuracy** of the numbers.

   "Does a $200 dollar-a-month deficit sound about right to you?"

   "Do you feel this is really accurate, or is it too high or low?"

   If the client says it is not accurate, you may want to go back and review the income, expense and indebtedness information and look for discrepancies. Know that clients often underestimate their monthly expenses because they usually keep no records. If the client confirms the bottom line, then you are ready to look at options or solutions that the client can implement.

7. **Miracles and Exceptions** — For clients who are 'stuck' on their problem, or who are particularly negative, now is an appropriate time to ask the miracle question.

   "If a miracle were to happen tonight and the [problem] went away, what would your life be like – what would be different in the morning?"

   This enables the client to view their future without their [problem]. It allows the client to imagine what life would be like when their [problem] has been resolved. Give the client time to reflect on this question. This will move the client toward wanting to achieve resolution and will be a good opportunity for you to return to the FPW to complete the remaining sections.

   You may also want to ask stuck or 'tough' clients what the exceptions to the problem are.

   "When does [the problem] not occur? What is happening when [the problem] doesn't occur? When was the last time [the problem] wasn't occurring? What was different about that time?"

   Focusing on exceptions also enables the client to view their life without the problem. It allows you to 'catch the client in their successes, not their failures.'

8. **Discuss options.** This is **problem-solving time** where the focus is on options and solutions to the client's financial situation.

   "Now that we know the extent of the [problem] and what is going on, and we have had a glimpse of what the future could be like without the [problem], we can begin to look for possible options or solutions to deal with it. We will be looking at options in three areas: options to ***increase income****, options to* ***reduce living expenses****, and options to* ***reduce or better manage*** *the* ***debt load****. I will* ***record all*** *of them on the FPW Action Plan."*

   Now is also a good time to ask the client about options **they** have been **thinking about** and to **compliment** them or validate their ideas for changing their financial situation.

   "So, what have you done about this already?" (and what else, and what else)

   "So, what have you thought about doing?" (and what else, and what else)

   Get at least **three options** or contemplated actions. This is an opportunity to get the client involved in solutions to their own problems. Remember, **compliment** the client on their solutions.

9. **Complete the projected column** on the three pages of the FPW involving Income, Living Expenses and Indebtedness. Enter new dollar amounts in the Projected or "P" column based on the effect of implementing the various options discussed. When finished, calculate a new bottom line (surplus or deficit). If there is a surplus, **compliment** them on their hard work and willingness to consider new options or solutions to their financial situation.

   "You've done some really good work here and have come up with a number of options that will help your current financial situation."

10. **Spending Plan** — Next show the client how to set up a Spending Plan based on their new spending targets using the **projected column** figures. It's important to point out to your clients that the spending plan concerns how they **spend** their **take home pay** and does not include any expenses or creditors paid by allotment. In the eyes of some financial experts, this is the most important part of the whole process, since the spending plan is really the "road map" for the client to use which will help them change their spending behavior. It will also give them the opportunity to assess their progress toward achieving their new spending targets.

    "I will help you set up your spending plan for the first month and show you how it works and how you can use it to measure your success in achieving your new spending targets. Please remember that this plan only includes those expenses and creditors paid out of your take home pay. We do not need to include those expenses or creditors paid by allotment, since they are already taken care of."

11. **Monthly Spending Record** — At this time you will want to introduce the Monthly Spending Record**,** which is a method of tracking their actual spending in the various categories on a daily basis. Again we are only concerned about expenditures involving **take home pay**. At the end of each pay period, the expenditures in each category are totaled and entered in the **Actual** (what they actually spent) or **"A" column**.

    "What you will want to do is to carefully track your expenses on a daily basis each pay period for several months. I will show you how to do the first month. This will allow you to discover where the 'leaks' are and how well you are doing in terms of achieving your new spending goals. It may also indicate where you need to make adjustments in future months. You will know that you have met your spending targets when the 'A' column totals for each month either equal or are less than the 'P' column totals. This will be a giant step on the road toward reaching your financial goals."

12. **Closure** — Ask about client's expectations and **bring closure** to the session. Ask the client what they see themselves doing first when they leave your office.

    "What do you see yourself doing first after you leave here today?"

    Look for opportunities to **reinforce** and **compliment** your client's willingness to take action. **Help** the client **visualize implementing** the **options** and any difficulties they might have.

    "What options will you implement immediately?"

    "How will you know when they have been implemented?"

    "What difficulties do you foresee in implementing these options?"

    Establish a **can-do mindset**. Rehearse accomplishing the various options and the likely outcomes when the client completes them. Lastly, set up a day and time for **follow-up** to review client's progress. Close by saying something positive.

    "I can hardly wait to hear about your successes when we get together again."

Financial Counseling Planning Sheet

1. **Prepare for the Session**
   Case background research

2. **Build the Relationship**
   Smile and warm greeting
   Compliment
   Privacy Act Statement
   Normalize feelings

3. **Gather Data**
   What is the presenting problem? ______________________________
   Expectations______________________________
   Cost Question ______________________________
   What steps has client has taken? ______________________________
   Financial Planning Worksheet (pp. 1-4, actual)

4. **Prioritize Concerns**
   Immediate/critical:______________________________
   Pressing:______________________________
   Long-term: ______________________________
   Referrals: ______________________________
   (Miracle Question)______________________________
   (Exceptions) ______________________________

5. **Explore Options**
   FPW pg. 5—Action Plan
   Increase income: ______________________________
   Decrease living expenses:______________________________
   Decrease indebtedness: ______________________________

6. **Construct Solutions**
   FPW pg. 5—Action Plan
   Projected column
   New 'bottom line'
   Compliment the client

7. **Implement Plan**
   FPW Pg. 6—complete the Monthly Spending Plan
   Tracking expenditures—Monthly Spending Record
   Bring Closure to Session
   Visualize Implementing Options
   Can-do mind set

8. **Monitor and Follow-up**
   Day and time

PFM Client Information Sheet

Form is used to collect client information. For a married couple, the active duty member is the primary client. File the completed form in the PFM case record.

Date Case Opened:	Date Case Closed:
Client’s Last Name:	Client’s First Name:
If spouse accompanies client, last and first name:	

Client Contact Incormation

Work Phone:	Home Phone:	E-mail:
Command:	Rank:	
Assigned FFSP Counselor:		

Command Contact Information (For Command-Directed Clients Only)

Name:	Phone Number:
Corresponding case activity note is written to document contact made with Command to provide required feedbac	

Quality Control Reviews

If this case is reviewed for quality control purposes, document date and reviewer name in this section. Not all case records will have a QC notation.	
Reviewer:	Date:
Reviewer:	Date:

PFM Case Activity Notes

Use this form to document contact and activity pertaining to a PFM case record. File this form in the PFM case record.

Client's Name:

Initial Contact Date:

Nature of Financial Issue(s):

Plan of Action:

Next Scheduled Appointment:

PFM Counselor: Signature:

Follow-up Contact Date:

Summary/Changes to Plan of Action:

Next Scheduled Appointment:

PFM Counselor: Signature:

Follow-up Contact Date:

Summary/Changes to Plan of Action:

Next Scheduled Appointment:

PFM Counselor: Signature:

Follow-up Contact Date:

Summary/Changes to Plan of Action:

Next Scheduled Appointment:

PFM Counselor: Signature:

Follow-up Contact Date:

Summary/Changes to Plan of Action:

Next Scheduled Appointment:

PFM Counselor: Signature:

Closing Date:

Closing Summary:

PFM Counselor: Signature:

PFM Case Closing Form

E&T Supervisor uses this form to conduct a quality control review of all closed PFM cases. File completed form in the PFM case record.

Client's Name:	**Review Date:**

PFM case record should include the following items.
Provide comments as appropriate.

☐ 1. Signed and witnessed Privacy Act Statement

☐ 2. Completed Financial Planning Worksheet

☐ 3. Summary of client's financial issues and plan of remediation on the first case activity note.

☐ 4. Follow-up activity notes, signed and dated.

☐ 5. Case closing summary completed by assigned FFSP staff member.

☐ 6. Case closed when assistance is no longer needed or after 45 days (but not more than 60 days) of no client contact.

☐ 7. Client Information Sheet present.

☐ 8. Ensure electronic record is deleted.

Role Play Instructions—ET1 John Dough

1. In your group, you will select one person to act as a Command Financial Specialist (CFS).

2. The role of the Command Financial Specialist is as follows:

   Two days ago, ET1 John Dough's division officer made an appointment with you, the Command Financial Specialist, because the command received a letter of indebtedness from Fib's Auto. Apparently, PO Dough has missed payments for the last two months. His division officer told you that normally Dough is a good worker, but last week was caught sleeping in his compartment.

   You called ET1 Dough after the appointment was arranged and asked him to bring in a copy of his LES and a list of his monthly living expenses and indebtedness. He stated that it would not be possible for his wife to accompany him for the appointment.

3. ET1 Dough will receive a role profile, with background information, from the instructor. The person acting as ET1 Dough is the client.

4. In your group, arrange the chairs as shown below. The CFS will counsel ET1 Dough. Remaining members of the group will act collectively as advisors to the CFS and may observe, but should not speak to the client. (As far as the CFS and ET1 Dough are concerned, they are not present.) If the advisors have suggestions or the CFS needs advice, someone calls "freeze," at which time the CFS and advisors have a conference to discuss strategy. ET1 Dough should walk away from the group as they discuss their strategy. After the discussion, call "unfreeze," and resume the role play. At any point, the group can decide to designate another CFS to provide opportunities for everyone to practice counseling skills.

5. Allow about five minutes for the Command Financial Specialist and advisors to plan their strategy for the counseling session.

6. Once the counseling encounter is over, the class will discuss ways in which the Command Financial Specialist and the advisors applied financial counseling and communication techniques.

Wealth-Building Part I: Saving and Investing

I. INTRODUCTION

The Wealth-Building Seminar consists of two parts: Saving and Investing and Retirement Planning. The goal of personal financial management is to build wealth. Success in this endeavor largely will depend on an individual's ability to develop and follow an effective saving and investing plan. This money comes from the positive cash flow produced by creating and implementing an effective spending plan (budget). The savings plan is what enables your clients to reach their financial goals. This chapter will assist you in your role to motivate individuals to develop a savings plan; help them to clarify and prioritize their goals; provide educational information; and recommend resources for research. You are not a financial adviser and cannot give specific investment advice or recommendations. You may present knowledge and ideas, but do not veer into giving advice.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Saving and Investing Main Module. This module provides the opportunity to model the PFMSC. Students have adequate exposure to the topic to allow them to present this training. Training techniques include quiz, match game, lecture and review activities.
2. **Information and Referral:** The Command Financial Specialist is charged with disseminating financial information to the command, and this chapter provides the student with information that can be shared in a variety of ways, whether through training, bulletin boards, handouts, and/or POD/POW notes.
3. **Counseling:** The CFS often will meet with clients regarding saving and investing issues. At a minimum, a main goal of financial counseling is to move the client in the direction of wealth-building. This chapter will equip the CFS to counsel clients who face saving and investing issues.

II. LEARNING OBJECTIVES

Learners will demonstrate knowledge of the content presented by participating in a group listening exercise.

Learners will differentiate between components of the financial markets by participating in a group "What Is 'The Market'?" activity.

Learners will demonstrate an understanding of the impact of inflation by completing the "Has Inflation Affected You?" activity.

Using a group case study, learners will apply appropriate saving and investing suggestions to case study scenarios.

IV. REFERENCES

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www.bankrate.com (current rate information)

www.bls.gov (Bureau of Labor and Statistics)

www.defenselink.mil/militarypay/ (OSD military compensation)

www.lifelines.navy.mil (Lifelines Services Network)

www.militaryonesource.com (Military OneSource Network)

www.savingsbonds.gov (TreasuryDirect and Savings Bond information)

www.militarysaves.org (Military Saves Campaign)

www.saveandinvest.org (FINRA Investor Education Web site)

www.nko.navy.mil (Navy Knowledge Online)

www.ffsc.navy.mil (Fleet and Family Support Programs)

www.npc.navy.mil/careerinfo/staynavytools/ (StayNavy Web site)

IV. CONTENT

Reminder: All content for this session can be found in the 2007 PFM Standardized Curriculum, Saving and Investing Module.

Listening Teams

My role is: ______________________________

My assignment is: ______________________________

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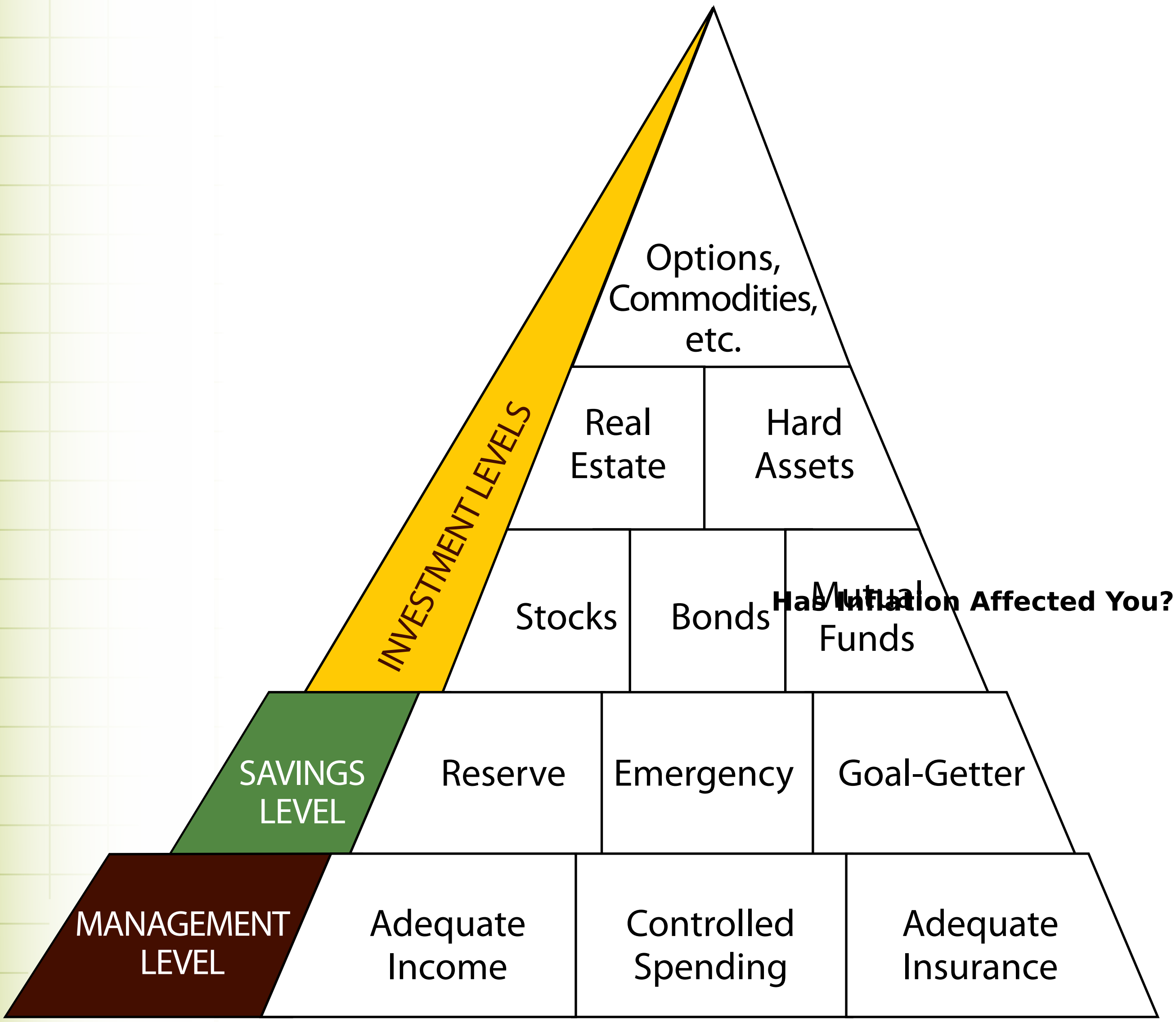
Compound Interest and Time
(Rate of Return=10%)

	Plan A		Plan B		Plan C		Plan D	
Age	Payment	Total	Payment	Total	Payment	Total	Payment	Total
21	$3,000	$3,300	$0	$0	$0	$0	$0	$0
22	$3,000	$6,930	$0	$0	$0	$0	$0	$0
23	$3,000	$10,923	$0	$0	$0	$0	$0	$0
24	$3,000	$15,315	$0	$0	$0	$0	$0	$0
25	$3,000	$20,147	$0	$0	$0	$0	$0	$0
26	$3,000	$25,462	$0	$0	$0	$0	$0	$0
27	$0	$28,008	$0	$0	$0	$0	$0	$0
28	$0	$30,808	$0	$0	$0	$0	$0	$0
29	$0	$33,889	$0	$0	$0	$0	$0	$0
30	$0	$37,278	$0	$0	$0	$0	$0	$0
31	$0	$41,006	$3,000	$3,300	$3,000	$3,300	$0	$0
32	$0	$45,107	$3,000	$6,930	$3,000	$6,930	$0	$0
33	$0	$49,617	$3,000	$10,923	$3,000	$10,923	$0	$0
34	$0	$54,579	$3,000	$15,315	$3,000	$15,315	$0	$0
35	$0	$60,037	$3,000	$20,147	$3,000	$20,147	$0	$0
36	$0	$66,041	$3,000	$25,462	$3,000	$25,462	$10,000	$11,000
37	$0	$72,645	$0	$28,008	$3,000	$31,308	$10,000	$23,100
38	$0	$79,909	$0	$30,808	$3,000	$37,738	$10,000	$36,410
39	$0	$87,900	$0	$33,889	$3,000	$44,812	$0	$40,051
40	$0	$96,690	$0	$37,278	$3,000	$52,594	$0	$44,056
41	$0	$106,359	$0	$41,006	$3,000	$61,153	$0	$48,462
42	$0	$116,995	$0	$45,107	$3,000	$70,568	$0	$53,308
43	$0	$128,694	$0	$49,617	$3,000	$80,925	$0	$58,639
44	$0	$141,564	$0	$54,579	$3,000	$92,317	$0	$64,503
45	$0	$155,720	$0	$60,037	$3,000	$104,849	$0	$70,953
46	$0	$171,292	$0	$66,041	$3,000	$118,634	$0	$78,048
47	$0	$188,422	$0	$72,645	$3,000	$133,798	$0	$85,853
48	$0	$207,264	$0	$79,909	$3,000	$150,477	$0	$94,438
49	$0	$227,990	$0	$87,900	$3,000	$168,825	$0	$103,882
50	$0	$250,789	$0	$96,690	$3,000	$189,007	$0	$114,270
51	$0	$275,868	$0	$106,359	$3,000	$211,208	$0	$125,697
52	$0	$303,455	$0	$116,995	$3,000	$235,629	$0	$138,267
53	$0	$333,800	$0	$128,694	$3,000	$262,492	$0	$152,094
54	$0	$367,180	$0	$141,564	$3,000	$292,041	$0	$167,303
55	$0	$403,898	$0	$155,720	$3,000	$324,545	$0	$184,033
56	$0	$444,288	$0	$171,292	$3,000	$360,300	$0	$202,437
57	$0	$488,717	$0	$188,422	$3,000	$399,630	$0	$222,680
58	$0	$537,589	$0	$207,264	$3,000	$442,893	$0	$244,948
59	$0	$591,348	$0	$227,990	$3,000	$490,482	$0	$269,443
60	$0	$650,482	$0	$250,789	$3,000	$542,830	$0	$296,387
61	$0	$715,531	$0	$275,868	$3,000	$600,413	$0	$326,026
62	$0	$787,084	$0	$303,455	$3,000	$663,755	$0	$358,629
63	$0	$865,792	$0	$333,800	$3,000	$733,430	$0	$394,492
64	$0	$952,371	$0	$367,180	$3,000	$810,073	$0	$433,941
65	$0	$1,047,608	$0	$403,898	$3,000	$894,380	$0	$477,335
	$18,000		$18,000		$105,000		$30,000	

Financial Planning Pyramid



Has Inflation Affected You?

The government reports that inflation is relatively low about four percent a year.

It may not seem like much, however it does add up fast. Over time, inflation erodes the purchasing power of present-day dollars. Prices have jumped over the last 25-30 years. See if you can guess the prices of the following items from 1975 compared to 2005.

	1975	2009
First-Class Stamp		**$0.42**
Box of Corn Flakes (24 oz.)		**$3.19**
Jar of Instant Coffee (8 oz.)		**$3.99**
60-Watt Light Bulbs (2-pack)		**$1.29**
Ford Mustang (V6 standard coupe)		**$20,995**
Oil Change		**$39.99**
Bayer Aspirin (100 count)		**$8.59**
Pork Chops - (1 lb)		**$4.89**

What is "The Market"?

__________________ 1. An index that tracks the large company stock population and can comprise from 70 to 75% of the economic base of this country.

__________________ 2. A place in Japan where stocks are bought and sold, and there is also an index computed on it.

__________________ 3. Tracks the daily gains and losses of thirty stocks from the New York Stock Exchange that are considered to be key players in the market and the economy.

__________________ 4. An actual building in New York City where stocks are bought and sold. There is also an index computed on it.

__________________ 5. An index designed as a measure of the entire U.S. Stock market.

__________________ 6. An index designed to measure both government and corporate bonds.

__________________ 7. One of the most commonly referred to indexes of small-company stocks.

__________________ 8. A computerized trading system on which stocks (typically smaller companies or high tech companies) are bought and sold.

__________________ 9. This index tracks the performance of approximately 1200 non-US companies representing 18 stock markets in Europe, Australia, New Zealand and the Far East.

__________________ 10. The second largest options exchange market, this is another brick and mortar building where stocks are bought and sold which also an index computed on it.

AMEX	NASDAQ	Wilshire 4500
Barclays Capital U.S. Aggregate Index	Nikkei	Wilshire 5000
Dow	NYSE	Ivivagin dit; ium tem. Catus
EAFE	S&P 500	

Thinking About Investing

Tips for Using the Internet

The internet has provided widespread access to even the most specialized investment information, giving the small investor research and information they never before had access to. On-line trading provides instant access to accounts and near instantaneous executions of trades. In this fast-moving environment, users must exercise caution to know investment risks and guard against loss.

If you are thinking of using the internet for investment research, the National Association of Securities Dealers Regulation (NASDR) suggests these guidelines to safe surfing:

1. Be your own watchdog. The internet is vast, and regulator resources are limited.
2. Question all advice.
3. Always consult other resources in additional to the internet.
4. Do your own homework—don't take the word of an unknown source on the internet.
5. Use good judgment. If it seems too good to be true, it probably is.
6. Ask for professional help if something appears suspect. Notify regulators before you act.

If you are thinking of using the internet to conduct securities trades, the Securities Exchange Commission (SEC) offers these tips:

1. Before you trade, know why you are buying or selling, and the risk of your investment.
2. Set your price limits on fast-moving stocks: use limit orders to protect from fast-moving stock prices.
3. Know your options for placing a trade if you are unable to access your account online.
4. If you place an order, don't assume it didn't go through (and place subsequent orders). Talk to your firm if you are unsure.
5. If you cancel an order, make sure the cancellation worked before placing another trade.
6. If you trade on margin, your broker can sell your securities without giving you a margin call.
7. No regulations require a trade to be executed within a certain time. However, firms should not exaggerate or fail to tell investors about the possibility of delays.

Tips for Hiring a Financial Professional

Be sure to comparison shop for a financial professional just like you would for any other service. Financial professionals include:

- Financial Planners and Advisors (CFP, CFA, PFS)
- Insurance agents and brokers (CLU, ChFC)
- Tax preparers and Enrolled Agents
- Certified Public Accountants (CPA)
- Attorneys (Tax, Estate)
- Bankers
- Real Estate Agents and Brokers

Financial professionals get paid for their services in a variety of ways—commissions, fees, a combination of commission and fees.

The Securities Exchange Commission recommends the following questions to ask before hiring a financial professional:

1. Are you licensed with the states or the SEC?
2. Do you have disciplinary problems on file with the NASD or states?
3. How are you compensated?
4. What is your relevant experience as a financial professional?
5. What kind of special education or training have you received?
6. How would you describe your investment philosophy?
7. Do you understand my financial goals and risk tolerance?
8. What other clients do you have whom I could speak to?
9. What kind of periodic reports on my money should I expect from you?

Interview at least three financial professionals and choose the one that you feel most comfortable with, that you like, and that has satisfactorily answered the above questions.

Investing Resources

Books

- *Barron's Dictionary of Finance and Investment Terms.*
- *Get a Financial Life: Personal Finance in your Twenties and Thirties*, by Beth Kobliner.
- *Investing from Scratch: A Handbook for the Young Investor*, by Marc Robinson.
- *Making the Most of Your Money*, by Jane Bryant Quinn.
- *Master Your Money Type*, by Jordan E. Goodman.
- *Personal Finance* by E. Thomas Garman and Raymond E. Forgue.
- *The Millionaire Next Door (Series)*, by Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.
- *The Total Money Makeover*, by Dave Ramsey.
- *The Truth About Money*, by Ric Edelman.
- *The Wealthy Barber*, by David Chilton.
- *Who's Afraid to be a Millionaire*, by Kelvin Boston.
- Women and Money, by Suze Orman.

Newspapers and Magazines

- Barron's
- Fortune
- Investor's Business Daily
- Kiplingers
- Money
- Mutual Funds
- Smartmoney
- Wall Street Journal

Internet Sites

Consumer Organizations

www.consumerreports.org

www.consumerworld.org

Financial Planning and Education

www.aaii.com

www.afcpe.org

www.choosetosave.org

www.fpanet.org

www.kiplinger.com

www.militarysaves.org

www.nefe.org

www.ffsp.navy.mil

www.ricedelman.com

www.saveandinvest.org

Government Agencies

www.bls.gov

www.consumer.gov

www.fdic.gov

www.federalreserve.gov

www.ftc.gov

www.loanconsolidation.ed.gov

www.pueblo.gsa.gov

www.sec.gov

Investing

www.411stocks.com

www.businessweek.com

www.dailystocks.com

www.fool.com

www.fundalarm.com

www.hoovers.com

www.iclub.com

www.moneycentral.msn.com

www.morningstar.com

www.savingforcollege.com

www.savingsbonds.gov

www.smartmoney.com

www.superstarinvestor.com

www.valueline.com

www.zacks.com

Retirement

www.choosetosave.org/asec

www.defenselink.mil/militarypay

www.lifelines.navy.mil

www.militaryonesource.com

www.ssa.gov

www.tsp.gov

Taxes

www.irs.gov

Wealth-Building Part II: Retirement Planning

I. INTRODUCTION

Part II of the Wealth-Building Seminar focuses on Retirement Planning, discussing some of the basics of retirement planning; the military defined-benefit and defined-contribution plans; the role of Social Security and personal savings; and resources available for further information on the topic. The information provided in this chapter builds on the investment information presented in Part I of the seminar. In preparation for this program, you should have completed the Ballpark Estimate for Retirement Savings. The interactive version is available on the www.choosetosave.org Web site. It also can be done using the hard-copy version included in this chapter.

This training seminar is concluded with an active review session involving the listening teams created in Part I. This is an important step, as it enables you to summarize and clarify lecture material while enhancing retention and comprehension.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Retirement Planning Main Module. This module provides the opportunity again to model the PFMSC training techniques. Students have adequate exposure to the topic to allow them to present this training. Training techniques include lecture, PowerPoint quizzes and worksheets.
2. **Information and Referral:** Retirement information resources are presented and reviewed to assist in the dissemination of information.
3. **Counseling:** The Command Financial Specialist often is asked to provide counseling for members regarding their choice of retirement plan and retirement planning in general. This chapter will assist the CFS in meeting the needs of clients with retirement-planning issues.

II. LEARNING OBJECTIVES

Learners will complete a "Ballpark Estimate" worksheet to estimate their retirement-funding needs.

Learners will differentiate between three forms of individual retirement accounts — traditional, Roth and rollover — by correctly completing the "IRAs: What's the Difference?" activity.

Participating in the Listening Teams exercise, learners will designate key "need to know" topics for command members.

Using the Group Case Studies, learners will apply appropriate retirement-planning solutions to their specific scenario.

III. REFERENCES

Garman, E. Thomas. and Forgue, Raymond E. 2007. P*ersonal Finance, 9th ed.* Boston, Mass.: Houghton Mifflin Co.

Goodman, Jordan E. 2001. *Everybody's Money Book.* Chicago, Ill.: Dearborn Trade.

Morris, Kenneth M., and Morris, Virginia B. 2002. *The Wall Street Journal Guide to Planning Your Financial Future.* New York, N.Y.: Lightbulb Press.

Quester, Aline O., et. al. 2005. *The Retirement Choice,* FY 2009. Arlington, Va.: Center for Naval Analysis.

Quinn, Jane Bryant. 1997. *Making the Most of Your Money.* New York, N.Y.: Simon and Schuster.

Stanley, Thomas J., and Danko, William D. 2002. *The Millionaire Next Door.* New York, N.Y.: MJF Books.

Stein, Michael K. 1998. *The Prosperous Retirement.* Boulder, Colo.: Emstco Press.

www.defenselink.mil/militarypay/retirement/calc (OSD military compensation retirement calculator)

www.npc.navy.mil (StayNavy Web site with retirement calculators)

www.lifelines.navy.mil (Lifelines Services Network)

http://gosset.wharton.upenn.edu/~foster/mortality/perl/CalcForm.html (longevity calculator)

www.militaryonesource.com (Military OneSource Site)

www.tsp.gov (Thrift Savings Plan of the Uniformed Services)

www.ssa.gov (The Social Security Administration)

www.choosetosave.org/asec (The American Savings Education Council)

www.smartmoney.com (SmartMoney Educational Web site)

www.financialengines.com (Financial Engines Educational Web site)

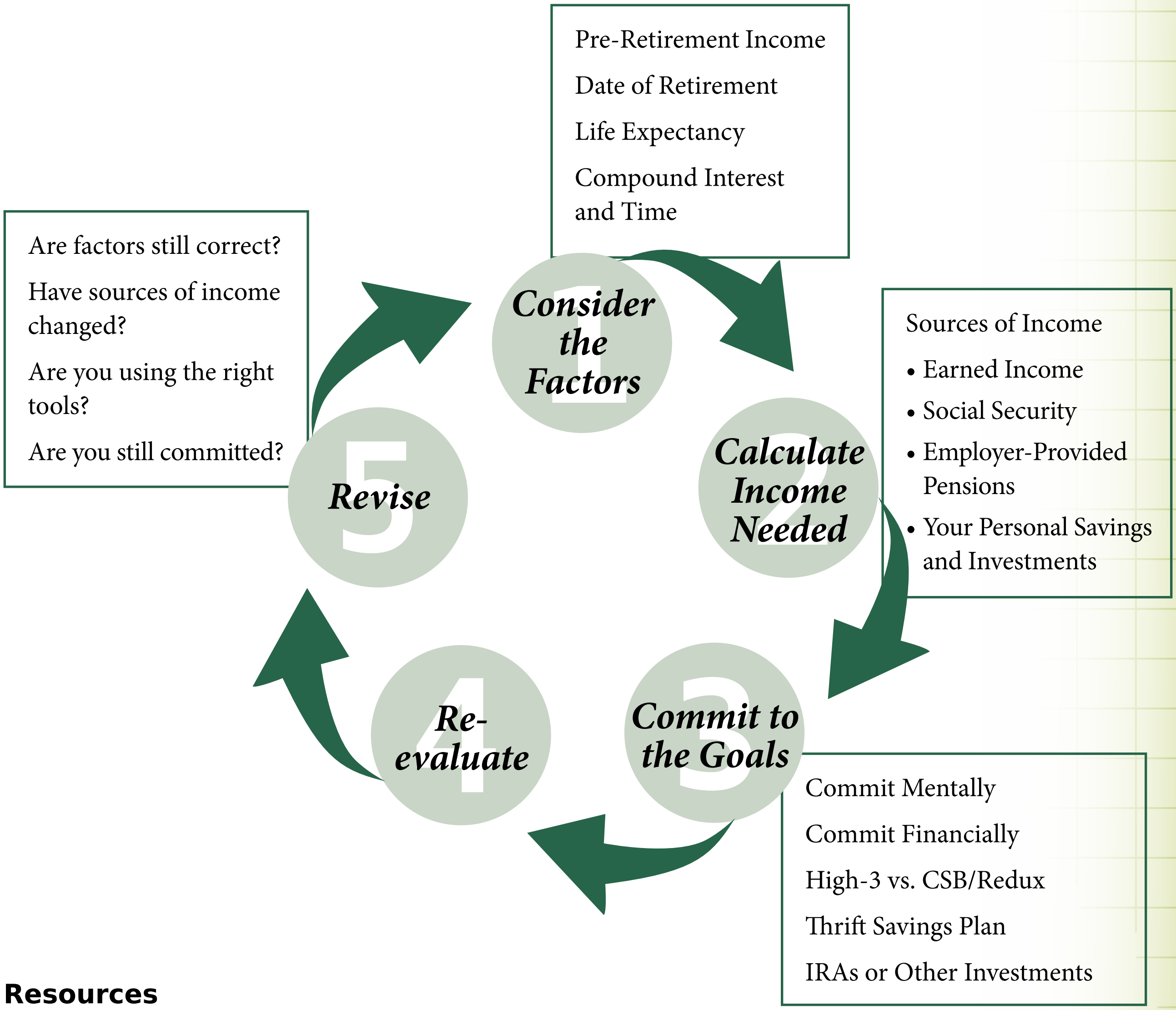
www.morningstar.com (Morningstar Mutual Fund and Financial Research Web Site, also available on NKO)

www.cna.org/nationalsecurity/rad/retirementcalc.aspx (CNA 2009 report and retirement calculator)

IV. CONTENT

Planning for Your Retirement

Five Basic Steps to Take Command of Your Future



Resources

Command Financial Specialist

Fleet and Family Support Center Financial Educator

Financial Professionals

"The Retirement Choice: FY 2009," Center for Naval Analysis

Web sites

www.saveandinvest.org
https://mypay.dfas.mil
www.militarysaves.org
www.tsp.gov
www.smartmoney.com
www.kiplinger.com
www.ssa.gov
www.militaryonesource.com
www.morningstar.com
www.defenselink.mil/militarypay
www.choosetosave.org
www.npc.navy.mil

Get a Ballpark E$timate® of Your Retirement Needs.

The ChoosetoSave.org and American Savings Education Council's Planning and Saving Tool

Forget, for a moment, the complexity of planning and saving for a comfortable retirement. Use this print form Ballpark E$timate® worksheet to get an initial fix. Want a more "sophisticated" number? Go online at www.choosetosave.org and use the interactive version with more assumptions that you can change. By simplifying some issues, such as projected Social Security benefits and earnings assumptions on savings, the print version of Ballpark offers users a way to obtain a rough first estimate of what Americans need for retirement. The worksheet assumes you'll realize a constant real rate of return of 3% and that wages will grow at the same rate as inflation; however, it does provide the user an opportunity to take into account longevity risk.

For example, let's say Jane is a 35-year-old woman with two children, earning $30,000 per year. Jane has determined that she will need 70% of her current annual income to maintain her standard of living in retirement. Seventy percent of Jane's current annual income ($30,000) is $21,000 (Question 1). Jane would then subtract the income she expects to receive from Social Security ($12,000 in her case) from $21,000, equaling $9,000 (Question 2). This is how much Jane needs to make up for each retirement year.

Jane expects to retire at age 65 and if she is willing to assume that her life expectancy will be equal to the average female at that age (86), she would multiply $9,000 by 15.77 for a result of $141,930 (Question 3). Since Jane does not expect to retire before age 65, she does not answer Question 4. Jane has already saved $2,000 in her 401(k) plan. She plans to retire in 30 years so she multiplies $2,000 x 2.4 equaling $4,800 (Question 5). She subtracts that from her total, making her projected total savings needed at retirement $137,130. Jane then multiplies $137,130 x .020 = $2,742 (Question 6). This is the amount Jane will need to save in the current year for her retirement (it is assumed the annual contribution will increase with inflation in future years).

It is important to note that the calculation above assumed Jane would have an average life expectancy for a female already age 65. However, this will produce an amount that is too low in approximately ½ of all cases. If instead Jane wanted to have a sufficient amount ¾ of the time, she would base her calculations on a life expectancy of 92 (see the grid on step three of the calculation). This would necessitate multiplying $9,000 by 18.79 for a result of $169,110. All the remaining calculations would be similar and the contribution for the first year would increase to $3,286.

If Jane would prefer to save enough to have a sufficient amount 90 percent of the time, she would assume a life expectancy of 97. This would require a first year contribution of $3,671.

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need to make today for when you plan to retire.

If you are married, you and your spouse should each fill out your own Ballpark E$timate® worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

1. **How much annual income will you want in retirement?** (Figure at least 70% of your current annual gross income just to maintain your current standard of living; however, you may want to enter a larger number. See the tips below.)
$______________

Tips to help you select a goal:
→ 70% to 80% — You will need to pay for the basics in retirement, but you won't have to pay many medical expenses as your employer pays the Medicare Part B and D premium and provides employer-paid retiree health insurance. You're planning for a comfortable retirement without much travel. You are older and/or in your prime earning years.
→ 80% to 90% — You will need to pay your Medicare Part B and D premiums and pay for insurance to cover medical costs above Medicare, which on average covers about 55%. You plan to take some small trips, and you know that you will need to continue saving some money.
→ 100% to 120% — You will need to cover all Medicare and other health care costs. You are very young and/or your prime earning years are ahead of you. You would like a retirement lifestyle that is more than comfortable. You need to save for the possibility of long-term care.

2. **Subtract the income you expect to receive annually from:**
   - Social Security — If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher.) –$______________
   - Traditional Employer Pension — a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) –$______________
   - Part-time income –$______________
   - Other (reverse annuity mortgage payments, earnings on assets, etc.) –$______________

This is how much you need to make up for each retirement year: =$______________

Now you want a Ballpark E$timate of how much money you'll need in the bank the day you retire. For the record, we assume you'll realize a constant real rate of return of 3% after inflation and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below.

Age you expect to retire:	**Choose your factor based on life expectancy (at age 65):**					
	Male, 50th percentile (age 82)	Female, 50th percentile (age 86)	Male, 75th percentile (age 89)	Female, 75th percentile (age 92)	Male, 90th percentile (age 94)	Female, 90th percentile (age 97)
55	18.79	20.53	21.71	22.79	23.46	24.40
60	16.31	18.32	19.68	20.93	21.71	22.79
65	13.45	15.77	17.35	18.79	19.68	20.93
70	10.15	12.83	14.65	16.31	17.35	18.79

$________________

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below.

Age you expect to retire:		Your factor is:
	55	8.8
	60	4.7

+$________________

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan).

If you plan to retire in:		Your factor is:
	10 years	1.3
	15 years	1.6
	20 years	1.8
	25 years	2.1
	30 years	2.4
	35 years	2.8
	40 years	3.3

–$________________

Total additional savings needed at retirement: =$________________

Don't panic. We devised another formula to show you how much to save each year in order to reach your goal amount. This factors in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below.

If you want to retire in:		Your factor is:
	10 years	.085
	15 years	.052
	20 years	.036
	25 years	.027
	30 years	.020
	35 years	.016
	40 years	.013

=$________________

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It reflects today's dollars; therefore, you will need to re-calculate your retirement needs annually and as your salary and circumstances change.

It also assumes that your wages will increase in the future at the same rate as inflation. This compares with the 2005 intermediate assumptions by the Social Security trustees that wages will increase 1.1 percentage points faster than inflation. Situations in which the wage growth is larger than the inflation rate will often require a higher rate of savings than this worksheet suggests. Unfortunately, a paper worksheet using an example where wage growth is not equal to inflation would be much more complicated.

Should you want a ballpark estimate that allows you to assume a wage growth that is different from the rate of inflation, you will need to go to http://www.choosetosave.org/ballpark and use the interactive ballpark estimate worksheet.

EBRI Employee Benefit Research Institute®

2121 K Street NW
Suite 600
Washington, DC 20037
www.ebri.org
www.choosetosave.org

The American Savings Education Council (ASEC) mission is to make savings and retirement planning a priority for all Americans. ASEC is a program of the Employee Benefit Research Institute Education and Research Fund. For information on becoming an ASEC Partner, visit www.asec.org

Military Retirement Pay Plans

PLAN	APPLIES TO	PROVISIONS
Final Pay Plan	Those who entered service prior to September 8, 1980	After 20 years of service retirees get 50% of their basic pay on the day they retire, plus 2.5% for every additional year of active service. This equals, but is not limited to, 100 percent for 40 years. Annual COLA equal to CPI.
High Three Plan	Those who entered the military between September 8, 1980, and July 31, 1986	After 20 years of service retirees get 50% of basic pay on the day they retire, plus 2.5% for every for each additional year of active service. The retired pay is figured on the average basic pay during the service member's highest paid 36 months of service. Annual COLA equal to CPI.
CBS/Redux Plan	Those who entered the military on or after August 1, 1986	Service members will choose, on their 15th anniversary of military service, between two plans: a) "The High Three" Plan, OR b) A $30,000 cash payment at the 15th year of service and reduced benefits after 20 years of 40% of basic pay, with 3.5% added for each additional year of service up to 75 percent for 30 years of service, and 2.5 percent for each year after 30 years, equaling 100 percent for 40 years of service. (Promise to stay until retirement is a condition of receiving the cash payment.) Annual COLA equal to CPI-1%.

The Thrift Savings Plan:

Wealth-Building Made Easy

The Thrift Savings Plan (TSP) is a retirement savings and investment plan designed to supplement (not replace) the military retirement check. It can provide retirement income in addition to your military pension and Social Security, helping to build financial stability and independence at retirement.

Description and Benefits

- Defined contribution plan, like a 401(k).
- Optional for participants.
- All contributions and earnings belong to the owner.
- Portable—you can take it with you to another employer or tax-deferred plan.
- Contributions are made with pre-tax dollars, and earnings are tax-deferred.
- Not subject to attachment for commercial debt.
- Choice of investment options.
- Flexible withdrawal/transfer options upon separation from service.
- Individual accounts.
- Personal identification number (PIN) for account access.
- Beneficiary designation.
- Money is invested at all times.
- No sales charges or account fees; very low fund expenses.
- Can join at any time.

Participation Rules

- Open to uniformed service members.
- Can contribute up to 100 percent of base pay per year ("Elective Deferral").
- Can contribute up to 100 percent of Special and Incentive pays (including bonuses) per year ("Elective Deferral").
- Total annual contributions cannot exceed $16,500 (IRS regulations).
- Contributions come directly from pay (unless traditional IRA rolled into TSP).
- Tax-free zone contributions up to $49,000 per year (2009).
- Tax-free zone contributions accounted for separately (once tax-free, always tax-free).

Investment Options

G Fund: The Government Securities Investment Fund

- Managed by Thrift Investment Board.
- U.S. Treasury Securities.
- Rate set monthly by Treasury Department.
- No negative return in its history.
- Generally lowest returns over long term: 10-year average 4.92 percent (2008).

F Fund: The Fixed Income Investment Fund

- Tracks Barclay's Capital U.S. Aggregate Index.
- High-quality notes and bonds (no junk bonds) representing all areas of investment-grade bond market.
- Some interest-rate risk, moderate return: 10-year average 5.69 percent (2008).

C Fund: The Common Stock Index Investment Fund

- Tracks S&P 500 Index.
- Common stocks of 500 largest U.S. corporations.
- Represents all sectors and industries of the U.S. Stock Market (about 75 percent of the total market).
- Moderate/high risk, higher potential return: 10-year average (-1.40) percent (2008).

S Fund: The Small Cap Stock Index Investment Fund

- Tracks Wilshire 4500 Index.
- Represents all listed public companies in the U.S. Stock Market not in the S&P 500.
- High risk, potentially higher return: Average return since inception (May 2001) 1.75 percent (2008).

I Fund: The International Stock Investment Fund

- Tracks Morgan Stanley EAFE Index.
- Diversified holdings from 21 countries in Europe, Australia, Asia and the Far East.
- Additional political risk and foreign-currency risk.
- Highest risk, high potential return: Average return since inception (May 2001) 0.84 percent (2008)

L Funds: The Lifecycle Funds

- Five different funds that are different mixes of the G, F, C, S and I Funds.
- Mixes are tailored to different time horizons based on year of retirement.
- L funds introduced in 2005.
- Diversification across other funds provides the highest possible rate of return for the amount of risk taken.
- 2007 Returns:
  - L2040 — (-31.53) percent
  - L2030 — (-27.50) percent
  - L2020 — (-22.77) percent
  - L2010 — (-10.53) percent
  - L Income — (-5.09) percent

Loans

- Borrowed from personal account.
- General-Purpose Loan: Repay 1 to 5 Years.
- Primary-Residence Loan: Repay 1 to 15 Years.
- Minimum: $1,000/Maximum: the lesser of either one-half of the account balance or $50,000.
- Loan application through TSP service office (usually 6 to 8 weeks to process).
- Not a substitute for an emergency fund.
- Must be repaid in full before separating from service.

Withdrawals

- Withdrawals while on active duty very limited: documented financial hardship.
- Upon separation from service, many withdrawal options for tax-deferred money:
  - Cash-out: Taxes and penalties before age 59½.
  - Leave in TSP: Will continue to grow; still can move money around; cannot make additional contributions.
  - Transfer to next employer's 401(k).
  - Transfer to traditional IRA.
  - TSP annuity option.
- Tax-deferred contributions and earnings taxable when withdrawn.

Forms

- TSP-U-1: Enrollment; increase contributions; decrease contributions; stop contributions.
- TSP-U-3: Beneficiary designation.
- TSP-U-50: Contribution allocation; interfund transfers (account reallocation).

Resources

- www.tsp.gov: TSP Web site.
- www.choosetosave.org/asec: Financial calculators.
- TSP Thriftline.
  - 1-877-968-3778
  - 1-404-233-4400 (OCONUS)
- Command Financial Specialist (CFS).
- Financial Educator at FFSC.
- Booklets available online at TSP Web site:
  - Summary of TSP for the Uniformed Services.
  - Guide to TSP Investments.
  - TSP Loan Programs.
  - TSP In-Service Withdrawals.
  - TSP Annuities.
  - Withdrawing Your TSP Account After Leaving Federal Service.

IRAs: What's the Difference?

Fill in the blank to indicate to which type of IRA each statement applies.

1. **Traditional IRA**
2. **Rollover IRA**
3. **Roth IRA**

1. ______ Individual accounts only
2. ______ Contributions can be deductible or non-deductible
3. ______ Contributions are limited to $5,000 in 2009
4. ______ Earnings grow tax-deferred
5. ______ Gains are taxed upon withdrawal
6. ______ Catch-up provisions for people over 50
7. ______ Holds money transferred from other qualified retirement plans only
8. ______ Will not accept regular contributions
9. ______ You choose the investments
10. ______ No tax deduction for contributions
11. ______ No taxes paid on withdrawals
12. ______ Penalties for early withdrawal
13. ______ Loan provisions apply