Developing Your Spending Plan

COURSE DESCRIPTION

Developing Your Spending Plan is a 60- to 80-minute course that provides the background and tools to help learners develop financial goals and a written plan to achieve those goals.

Facilitator information for an optional, shortened version of this course is provided at the end of the course content. The shortened version can be used when there is less than 60 minutes to facilitate the course or to customize a course to meet command needs.

LEARNING OBJECTIVES

Terminal: Upon conclusion of this course, learners should be able to establish financial goals and complete a spending plan using the *Financial Planning Worksheet*.

Enabling:

- Through participation in the *Spending Plan Exercise*, learners will correctly complete the following areas of a budget: income, savings, expenses, indebtedness, summary and action plan.
- Using the SMART criteria, learners will write two short-term goals and one long-term goal.

REFERENCES

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USEFUL WEBSITES:

www.edmunds.com (Edmunds website to calculate car values)

www.homegain.com (HomeGain website to calculate home values)

www.kbb.com (Kelley Blue Book website to calculate car values)

www.nada.com (National Automobile Dealers Association website to calculate car values)

www.savingsbond.gov (U.S. Treasury website to calculate the value of savings bonds)

www.bankrate.com (Bankrate Inc. for financial rates and education)

COURSE PREPARATION

Handouts:

- *Debt-to-Income Ratio*
- *Financial Planning Pyramid*
- *Financial Planning Worksheet*
- *Financial Planning Worksheet Checklist*

- *Sources of Help for Military Consumers*
- *Spending Plan Exercise*

Materials (vary depending on activities chosen):

- Pens, pencils, paper
- Internet access (optional)
- *Developing Your Spending Plan* PowerPoint slides
- *Bowling for Budgets* PowerPoint review game

SUMMARY OF LEARNER ACTIVITIES

- *Spending Plan Exercise*: A scenario-based activity in which learners practice completing a financial planning worksheet.
- *Bowling for Budgets* review game (optional): An optional PowerPoint game that can be used for presentation of course content or in lieu of lecture or as a review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Topic Overview
    b. Agenda
2. Successful Financial Management (10 minutes)
    a. The Financial Planning Pyramid
    b. Spending Plans
        i. Effective Plans
        ii. Benefits
3. The Financial Planning Worksheet (40 minutes)
    a. Net Worth Section
    b. Cash Flow or Budget Section
        i. Income
        ii. Savings
        iii. Learner Activity: *Spending Plan Exercise – Income and Savings*
        iv. Living Expenses
        v. Learner Activity: *Spending Plan Exercise – Living Expenses*

vi. Indebtedness
vii. Summary
viii. Learner Activity: *Spending Plan Exercise – Indebtedness and Summary*

c. Your Debt-to-Income Ratio
d. Your Action Plan
e. Setting SMART Financial Goals
f. Learner Activity: *Spending Plan Exercise – Action Plan and Goals*
g. The Spending Plan
h. The Electronic Financial Planning Worksheet

4. Summary (5–25 minutes)
   a. Sources of Help
   b. Let's Review
   c. Optional Learner Activity: *Bowling for Budgets* Review Game

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

A 2013 Gallup poll found that only 32 percent of Americans have a "detailed written or computerized household budget." Of course, that means that more than two-thirds of Americans do not have a budget. So, why is it important to have a good budget, or spending plan? This course will help to answer that question.

Agenda

In this course, you will learn about the importance of developing financial goals and having a written plan to help you make your goals a reality. Using the *Financial Planning Worksheet*, a comprehensive financial planning tool, you will learn how to account for all of your income, document living expenses and detail your indebtedness. You will also learn easy ways to improve your cash flow, reduce unnecessary living expenses, pay off debt and know where to go for help.

SUCCESSFUL FINANCIAL MANAGEMENT

The Financial Planning Pyramid

Trainer's note: Distribute the *Financial Planning Pyramid* handout. Ask learners to refer to the handout and invite them to take notes as you cover each level of the pyramid.

SLIDE 2

The *Financial Planning Pyramid* gives us a visual picture of the steps involved in successful management of personal finances. Like building a house on a strong foundation, the pyramid provides a foundation for your financial future.

The Management Level of the pyramid includes the most basic elements of planning and is the first step in building wealth. This level includes:

Adequate income: Understanding and effectively using the pays, allowances and benefits offered by your employer and having enough money to cover your living expenses and financial obligations.

Controlled spending: Following a written plan and living within your means.

Adequate insurance: Having appropriate insurance to protect against financial loss.

The Savings Level, the second level of the pyramid, includes three types of funds. These funds do not necessarily have to be separate accounts, but they need to be accounted for separately. The funds include:

Reserve: The reserve fund is used for expenses that do not occur monthly, such as car insurance, school tuition, vacations, birthdays and anniversaries and holiday shopping.

Emergency: Emergency funds are for unexpected expenses, such as emergency leave, auto repairs and broken appliances. Most financial advisers recommend that you maintain one to three months of monthly living expenses in your emergency fund. Emergency funds need to be in easy-to-access accounts such as a savings account.

Goal-getter: A goal-getter fund is the place to store the money that will fund your short-term goals – financial goals for which the money is needed in the next five years or less. Money is kept in liquid accounts, such as savings accounts or short-term certificates of deposit, where it is easily accessible.

The Investment Level is the last level. This level includes all of the tools that can be used in an effective investment plan. Investing is different from savings – more gain is involved, but so is more risk. Investing is for long-term financial goals, those for which the money is needed in more than five years. You should not invest money you may need in the short term.

Before investing, it is crucial to first give attention to the Management and Savings levels of the Financial Planning Pyramid, because they are the building blocks of successful financial management. Once you have established your spending and savings plans, you can then move into the investment arena. You work hard for your money; why not let it work hard for you? You can get more information on savings and investments from your Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor. You can also get additional information by attending a *Saving and Investing* and/or *Planning for Your Retirement* class at your local FFSC.

SLIDE 3

Spending Plans

A spending plan is a written method to achieve your financial goals by measuring and managing the money that comes into and goes out of your pocket. A common name for a spending plan is a budget.

SLIDE 4

Effective Plans

An effective plan is:

A guide and servant – not a master. Some people think of a budget or a spending plan much like they would a diet – I have to suffer through this, and it will be painful, but hopefully in the end I will achieve my goals. If your spending plan is well crafted, it will not feel restrictive. In fact, it should free you from worry, help you cover your needs and allow you to purchase some of your wants.

Is not necessarily a down-to-the-penny accounting. That is not to say it cannot be down to the penny, and some people like to be that specific with their money. However, if you are not much of an accountant, do not worry. The spending plan process will help you build up to accurate and effective numbers.

Easy to understand. A spending plan, in its simplest form, is a list of money that comes in and money that goes out. It should not be any more complex than it needs to be for your situation. Although this course will introduce you to a comprehensive eight-page tool, if your financial situation is straightforward, you may not need to use the complete form. Or, you may find that a simpler form works just as well to meet your needs. Keep the process as simple as possible.

A reflection of your needs, wants, values and goals. A good spending plan should reflect the way you actually spend your money and help you plan to meet your financial goals. Anyone in your household who earns or spends the money should be involved in the budgeting process. For example, if you are married, your spouse should be included in discussing and completing the plan.

Based on current income and expenses. If you do not know what your current income and expenses are, you will need to find out. Most people can usually list their income easily, but listing expenses may take more effort, especially if the person putting the plan together does not spend all of the money in the family. Again, include everyone who spends the money in the process and, if you need to, track spending for a pay period or two to get accurate numbers.

Practical and realistic. An effective spending plan has to be based on reality. You may want to spend only $50 a month on gas for your car, but is that realistic? You may want to start riding your bike to run errands or commute to work, rather than driving, but is that practical? As you work through your spending plan, be sure to keep it realistic.

Flexible. If a spending plan is overly restrictive, it will be nearly impossible to stick to. You should build some flexibility in your budget by adding in a cushion or, better yet, by building up your emergency and reserve savings so you can be flexible when you need to be.

Provides for pleasures as well as necessities. Service members and their families work hard for their money and make sacrifices every day that most civilians do not. It bears repeating that your spending plan need not be so restrictive that you have no room for some of life's pleasures. There are times when everyone needs to cut back, but it is reasonable and expected that people will build some money for pleasures, as well as necessities, into their spending plan.

SLIDE 5

Benefits

Having a well-thought-out, accurate spending plan will help you:

Live within your income: By putting everything down in black and white, and by planning and tracking spending, you will have a guide that keeps your spending in line with your financial goals and expectations.

Realize personal goals: Part of developing a spending plan involves setting your goals down on paper and listing the steps needed to achieve those goals.

Maintain a good credit history: The first step in having good credit is to pay your bills on time. An effective, written spending plan provides the foundation for a great credit report. And since the ultimate goal of any spending plan is to help you build wealth, not debt, as your assets grow and your debt is kept to a minimum, your credit report will look better and better.

Get more for your money: A spending plan is the single best way to help find "leaks" in your spending. By tracking your income and expenses, you may find money you did not know you had. You could find that you have been spending money on things you do not really need or value. Many people find that they do not know where some of their money goes. You should be able to account for 100 percent of your money and ensure it is going only where you want it to go.

Reduce financial stress and arguments: Planning income and expenses, writing down goals and working together with your spouse will greatly reduce financial stress and arguments. Money is a top reason service members experience stress on the job. It is also one of the top things couples fight about. Much of this can be avoided by planning your spending, and a written plan is the key.

Achieve financial competence and confidence: Imagine how it would feel to have just reached an important financial goal in your life – perhaps it was to buy a house, to finance a child's education or to retire early. Imagine how it would feel to know that when you decide not to spend money on something you want, you are saving the money for something even more important, something you have planned for. Imagine what it would feel like to be fully in control of your money, with low debt, adequate savings and an investment plan in place. A spending plan is not the key to all happiness, but it will open the door to a sense of financial competence and confidence.

THE FINANCIAL PLANNING WORKSHEET

Trainer's note: Ask learners to refer to the *Financial Planning Worksheet Checklist* and the *Financial Planning Worksheet*. The checklist will help them get organized and gather the documentation they need to accurately fill out the worksheet. However, explain to learners that you will be using a spending plan exercise to show them how to develop a budget using the *Financial Planning Worksheet*. It is not necessary for them to start filling out the *Worksheet* with their own data during the overview of each section, because this may take away from the information being presented. Encourage them instead to follow the activity and then, if necessary, set up an appointment to go over their budget with their CFS or an FFSC financial counselor. The goal here is to learn the skills necessary to develop their own spending plan when they have the time and necessary materials to do so.

SLIDE 6

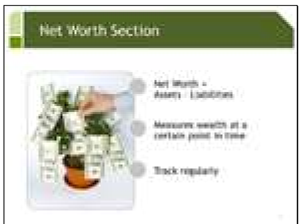
The *Financial Planning Worksheet* is the spending plan form used in the Navy's Personal Financial Management program. You will see that it is much more than just a budget document.

There are five major components to the worksheet:

- A net worth statement on Page 1.

- A budget or cash flow plan on Pages 2-4.
- An action plan on Page 5.
- A paycheck-by-paycheck spending plan on Page 6.
- An expense tracking form on Pages 7-8.

The *Financial Planning Worksheet Checklist* provides a list of items that will be needed to accurately complete the worksheet. Collect your financial documents and use them to complete the appropriate sections. Be sure to use a pencil and have a calculator handy.



SLIDE 7

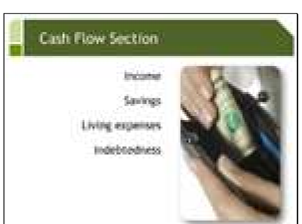
The Net Worth Section

The first page of the worksheet has personal information on the top half; the bottom half is a net worth statement. On this form, you list the total value of everything you own on the left and the total balance due for everything you owe on the right. When you subtract one from the other, you are left with your net worth.

Net worth is your assets minus your liabilities, or what you own minus what you owe. This is a measure of your wealth, and if you are running your finances according to good financial principles, you should see this number rise year after year. Ideally, you should have a positive net worth, but for many people just starting out, it is common to have a negative net worth.

It is important that you accurately estimate the value of what you own (items in the assets column). To find the value of savings bonds, go to www.savingsbond.gov. If you do not know your home's value, you can get an estimate at www.homegain.com. And to find your car's value, check www.kbb.com, edmunds.com and/or www.nada.com.

Since your net worth is a measure of your wealth, it is a number you should track regularly (e.g., year to year) to ensure that you are building wealth and not debt. Using sound financial principles in the way you manage your money will ensure that each year the bottom line increases and you are indeed moving in the direction of building wealth.



SLIDE 8

The Cash Flow or Budget Section

The four primary elements of the budget portion of the *Financial Planning Worksheet* (Pages 2-4) are:

- Income

- Savings
- Living expenses
- Indebtedness

We will cover each in detail.

SLIDE 9

Income

The income section is on Page 2 of the worksheet. This information comes directly from your Leave and Earnings Statement (LES) and/or pay statements. There are different terms used for different combinations of pays and deductions:

Gross income: Your total pay and allowances; everything you earn before taxes are withheld.

Net income: Your gross income minus taxes.

Take-home pay: Your net income less any other deductions or automatic allotments. This is the amount that is deposited in your bank account each payday.

To determine your income, all pays and allowances from an LES and/or pay statement are added to this page. You can also use a current military pay chart to calculate your gross pay on Page 2 of the worksheet if you do not have a current copy of your LES. Remember: This figure could be different from your taxable pay. All taxable items will have an asterisk (*) beside them in the entitlements section on your *Financial Planning Worksheet*. Another way of knowing which of your entitlements is taxable is that anything taxable ends in the word "pay."

Next, list all deductions from your pay. These could include:

- Taxes
- Servicemembers' Group Life Insurance (SGLI)
- Family SGLI (FSGLI)
- Thrift Savings Plan (TSP)
- Dental
- Advance pay
- Overpayments
- Armed Forces Retirement Home
- Contributions or payments to military aid organizations, such as the Navy-Marine Corps Relief Society

- Allotments

To calculate the take-home pay for the month, subtract your total deductions (B) from your gross pay (A). If you divide take-home pay by two, you should get the amount of your direct deposit.

It is important to know the amount of your total net monthly income, the final income calculation on this page, because it is an accurate picture of the amount of money you have control of. To calculate your total net monthly income, all deductions that were made in the deductions section need to be added back, except taxes and the Armed Forces Retirement Home assessment. Then add any additional income, such as income from a part-time job, a spouse's income, rental property income, child support, etc. This amount is then copied into the appropriate box in the Summary section at the bottom of Page 4.

SLIDE 10

Savings

Turn to Page 3 of the worksheet. On this page and the next, you will list all of the money you spend. Why do you think savings is the first category? Do you think of savings as an expense; as something you "spend" money on? There is room in this section to list any monthly amounts put into savings, as well as entries for investments and/or the TSP. When you total the monthly savings and investment amounts, you will then copy it into the appropriate box in the Summary section at the bottom of Page 4.

Most financial advisers suggest you save 5 to 10 percent of net income. The average American saves less than 5 percent (Bureau of Economic Analysis, May 2014). However, the Navy's Personal Financial Management program recommends setting as a monthly goal 10 percent of net income for this category.

LEARNER ACTIVITY: *Spending Plan Exercise – Income and Savings*

Time: 15 minutes

Procedure: Distribute the *Spending Plan Exercise* handout. Explain to learners that they will be practicing the skills necessary for them to calculate their own spending plan. Go over the directions on the handout for Sections 1 and 2. Ask whether anyone has questions about the instructions before they get started. Make sure everyone has a calculator and pencil and then allow them several minutes to complete their calculations. Review the answers with the class before proceeding to the next section.

<u>Section 1 Answers:</u>
(A) Total military compensation: $4,065.55

(B) Total deductions: $450.87

Take-home pay: (A minus B) = $3,614.68
Net income: $4,729.48

<u>Section 2 Answers:</u>
Total savings: $300
Total investments: $69.84
Total monthly savings and investments: $369.84 (7.82 percent of income)

SLIDE 11

Living Expenses

This section, on Page 3 of the *Financial Planning Worksheet*, lists the most common living expenses. To calculate your living expenses, you will need to work down the page and complete the Actual column. If you know you spend money on an item but do not know how much, you may need to track your spending for one or two pay periods. Monthly expense categories included in the worksheet are:

- Housing and utilities
- Food
- Transportation
- Child care
- Clothing
- Insurance/health care
- Leisure/entertainment

SLIDE 12

Tracking Expenses

How much do you really spend each month on living expenses? The best way to find out is simply to track your expenses for a month. Most people who are building their first spending plan cannot account for at least 10 percent of their income – they simply do not know where the money goes.

There are lots of ways to track expenses. There are forms on Pages 7 and 8 you can use, or you can keep a small notebook in your wallet or purse to record every purchase. Be sure to write everything down – the $3 for an energy drink, the $7 for lunch, the $5 for coffee, the $15 you loaned to a co-worker, etc. You can also try keeping receipts from every purchase and totaling them up at the end of the week. There are also online sites and mobile apps that can help you track your transactions electronically. After you have tracked all expenses for a month, group your expenditures into categories similar to those listed on Page 3 of the worksheet and enter them on the form.

Living expenses take up the majority of your income, on average 70 percent of it. Some expenses are fixed, such as rent and insurance. Others are variable, such as entertainment, food and clothing. You can control variable expenses and adjust the amounts you spend in these categories to have more to use somewhere else if needed.

Tracking expenses will give you a more honest picture of your spending than trying to guess how much you spend in each category. If you cannot commit to tracking expenses for a whole month, try to do it for two weeks. Get family members involved; it can be a family project. After you calculate your total monthly living expenses, this amount is entered into the appropriate box in the Summary at the bottom of Page 4.

LEARNER ACTIVITY: *Spending Plan Exercise – Living Expenses*

Time: 10 minutes

Procedure: Ask learners to turn to Section 3 in their exercise handout. Explain that they are to put the listed expenses in the appropriate categories and calculate the total monthly living expenses. Review the answers with the class before proceeding to the next section.

<u>Section 3 Answers:</u>
Total Living Expenses: $3,374.96 (71.36 percent of income)

SLIDE 13

Indebtedness

Page 4 of the *Financial Planning Worksheet* includes the indebtedness section. This is where you list all of your outstanding debt, along with the minimum payment required and the annual percentage rate (APR) charged. Your total debt includes outstanding balances owed on:

- Credit cards (bank, department store, gas, etc.)
- Car loans
- Personal loans
- Consolidation loans

- Student loans
- Advanced payments
- Overpayments
- Indebtedness to Navy-Marine Corps Relief Society, Navy Exchange, family and friends, etc.

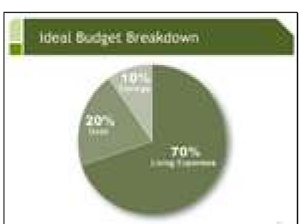
Do not include your mortgage in the indebtedness section. For our purposes, your mortgage is a living expense. Do include any rental property you have that is not your primary residence. When you have an accurate list of your debt, the total of your monthly debt payments is then copied into the appropriate box in the Summary at the bottom of the page.

SLIDE 14

Summary

With the numbers added to the Summary on Page 4, you can determine whether you have a surplus (money left over) or a deficit (more money going out than coming in) at the end of the month. Income minus savings minus living expenses determines what you have left to pay debts. This number minus debt payments is what you have at the end of the month (this is also lost or unaccounted-for money; otherwise, it would be listed somewhere on Pages 3 or 4).

Is your bottom line positive or negative? If it is positive, that is great, but what are you doing with that extra money? If you are accounting for all of your money, there should be no surplus or deficit. If there is a surplus, this is a great opportunity to build your savings or pay down (or off) your debt. If there is a deficit, double-check your calculations to ensure there are no mistakes. If the deficit amount is correct, it is time to make some changes. No one can survive long in a deficit budget. We will examine some options for working with a deficit a little later in the class.



SLIDE 15

The Summary information also can be used to calculate what percentage of your net income goes to living expenses, to indebtedness and to savings. Financial experts suggest that the ideal distribution of your net income is:

- 70 percent to living expenses
- 20 percent maximum to debt payments
- 10 percent to savings

These percentages will vary in different households based on different lifestyles, but these guidelines prove effective in helping build wealth and keeping debt to a reasonable level.

LEARNER ACTIVITY: *Spending Plan Exercise – Indebtedness and Summary*

Time: 10 minutes

Procedure: Ask learners to turn to Section 4 in their exercise handout. Review the variables needed to calculate indebtedness: creditor, monthly payment, balance on the account and interest rate. Instruct learners to complete Section 4, and tell them that you will go over the answers with them before going to Section 5. After completing Section 4, tell learners that they now have all the information necessary to calculate the "bottom line" of this spending plan. This summary will determine whether the budget has a surplus or deficit. When learners have finished the summary, you should review the answers with them before going ahead with the lesson.

Note: Using the information from the scenario, you can point out the breakdown of the budget (71.36/15.65/7.82). Some learners may say that the breakdown does not equal 100 percent. Use this to ask learners to identify where the remaining percentage is (It is shown as a surplus in Pete and Jennifer's summary.) and ask what actions they would recommend to get this budget even closer to the 70/20/10 model.

Section 4 Answers:
Total monthly payments: $740
Total indebtedness: $8,700

Section 5 Answers:
Net Income: $4,729.48
Savings and Investments: $369.84
Living Expenses: $3,374.96
Amount Left to Pay Debts: $984.68
Total Monthly Debt Payments: $740
Surplus or Deficit: +$244.68

Your Debt-to-Income Ratio

Trainer's note: Distribute the *Debt-to-Income Ratio* handout. Based on the minimum monthly payments and the net income in the spending plan activity, the debt-to-income ratio is 15.65 percent. If time allows, have learners use the information on net income and total minimum debt payments to calculate debt-to-income ratio as illustrated in Slide 16.

SLIDE 16

Monitoring your debt-to-income ratio is a good way to get a quick check of your financial health. Under the 70-20-10 guidelines, the "20" is the debt-to-income ratio. Calculate your debt-to-income ratio to measure whether you can afford to take on additional debt. Divide the minimum monthly debt payments by the total monthly net income to determine your debt-to-income ratio.

For example:

Pete and Jennifer have a net income (after taxes) of $4,729 (rounded). The total of their minimum monthly payments is $740. The debt-to-income ratio calculation would be:

740/4729 = 0.1565
0.1565 x 100 = 15.65

Therefore, their debt-to-income ratio is 15.65 percent.

SLIDE 17

The following guidelines are used to determine a safe level of debt:

- Less than 15 percent: Use caution when taking on more debt.
- 16 to 20 percent: Fully extended; refrain from taking on additional debt.
- 21 to 30 percent: Overextended; do not take on additional debt and establish a plan to pay down existing debt.
- More than 30 percent: Seek help from your local FFSC financial counselor or a reputable debt-management source to reduce debt.

In the *Spending Plan Exercise*, Pete and Jennifer fall within the "15 to 20 percent" category, which means they have a manageable debt level but should avoid taking on additional debt. For some, the use of credit has evolved from a luxury to almost a necessity. Credit cards are often used for wants rather than emergencies or planned needs. This, along with impulse spending, gets many people into the "overextended" debt range. If you find yourself with too much debt, there are resources available to you. These resources will be discussed at the end of the course.

Your Action Plan

SLIDE 18

Page 5 of the *Financial Planning Worksheet* shows three ways to improve your spending plan, which can create a more positive cash flow. You can:

- increase income.
- decrease living expenses.
- decrease indebtedness.

Decreasing living expenses produces the most immediate results. A well-managed budget that decreases living expenses can see results within days.

Trainer's note: If time allows, you may wish to do a short brainstorming activity with learners to get their responses to ways to increase income, decrease expenses and decrease debt. You can then follow up with any additional ideas and/or information.

What are some ways to increase income?

- Spouse gets a job.
- Active-duty person gets a part-time civilian job.
- Review and change tax filing status and exemptions.
- Enroll in any federal or state programs for which you qualify, such as Women, Infants, and Children (WIC) or Supplemental Security Income (SSI).
- Collecting money owed to you (back child support, loans, etc.)

What are some ways to decrease living expenses?

- Cut back to basic cable.
- Get all-in-one packages for cable, Internet and cellphone.
- Eliminate your telephone landline if you have a cellphone.
- Check out books and movies from the library rather than buying.
- Use public transportation or carpool rather than drive.
- Turn off the lights in unoccupied rooms.
- Ask for military and other discounts.
- Trade child-care or meal duties with another couple.
- Cook at home and pack your lunch.
- Shop at thrift stores.

What are some ways to decrease indebtedness?

- Pay off debts.
- Stop using credit cards.
- Pay down debt using a power pay plan.
- Shop for the lowest interest rates.
- Consider consolidation loans.

- Seek help if you are in serious debt. Accrued interest and late fees may be waived by some creditors if you enroll in a nonprofit debt management program.

When you construct your budget for the first time, use the "Actual" column. After you have decided what changes and improvements to make on Page 5, you can go back and recalculate your surplus or deficit by using the "Projected" column on Pages 2 through 4.

Setting SMART Financial Goals

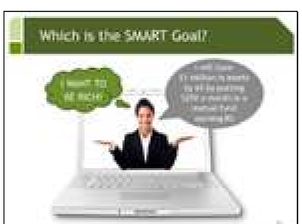
SLIDE 19

Successful people have goals. They take control of their money and plan its use. It is important to commit to your financial goals by putting them in writing. A goal can be short-term, meaning you could achieve it within the next five years, or it can be long-term, meaning it will probably take you more than five years to achieve.

Goal setting forces you to decide what you want to accomplish with your money and clearly defines the steps to take. A well-written goal is a SMART goal:

- Specific
- Measurable
- Action-oriented
- Realistic
- Timely (include start and stop dates)

Goals will likely change over the years, and that is fine. Adapt your plan to meet those changes.



SLIDE 20

A typical financial goal is something like this: "I want to be rich."

Many people want to be rich, but this goal does not have a specific plan. How will you get rich, by what age, and starting when?

A goal written using the SMART technique would state, "I plan to have $1 million in assets by age 65. To achieve my goal, I will invest $250 per month in my Thrift Savings Plan account and will set my allocations to earn a minimum of an 8 percent return overall." This is an excellent goal! It is specific; it states a specific savings plan, has an end point and identifies what will be done to make it happen.

Here is one additional example of a SMART goal:

"I will buy a house within the next five years."

To achieve this goal, I will:

- get a copy of my credit report within 30 days.
- pay off my car loan one year early by making double payments each month.
- double my current savings to equal $500 per month to be able to have $30,000 for closing costs, a down payment and other expenses.

Comprehensive, accurate and effective spending plans are developed with the ultimate goal of building wealth, not debt. Start this process by envisioning what you would like to achieve with your money and then put your goals in writing using the SMART process.

LEARNER ACTIVITY: *Spending Plan Exercise – Action Plan and Goals*

Time: 8 minutes

Materials: *Spending Plan Exercise* handout

Procedure: Ask learners to turn to Section 6 and list at least three actions that could improve Pete and Jennifer's budget. Tell learners that when they complete the section, they are to think now about their own financial situation and use the SMART criteria to develop two short-term goals and one long-term goal for their own spending plan in Section 7.

Guide learners as necessary in choosing the appropriate components of a SMART goal and answer questions as needed. Once they are done with this section, take a couple of minutes and review.

The Spending Plan

SLIDE 21

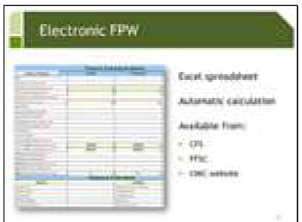
Page 6 of the *Financial Planning Worksheet* is a paycheck-by-paycheck spending plan. All of the details you have worked out can be put together on one page to provide you with a specific amount to spend in each category.

For the income amount, you can use the amount of your take-home pay or your total net income. Check the box to indicate the amount you will base the spending plan on. If you choose to use take-home pay, list only what is deposited into your account each payday and then note all other expenses as indicated. If you use take-home pay and have allotments, do not include them again on this page. If you use the net income amount, include all expenses, whether paid by allotment or directly by you.

Note the (P), for "planning." This is where you list what you plan to pay with each paycheck. The (A) is the "actual" amount you spent or paid for the items. The spending plan allows a forecast of three months so you do not forget quarterly payments.

When used as a working document, your spending plan forces you to make deliberate spending decisions. If you consider buying an item not on the plan, then you must make a choice – take on more debt or spend money allotted to something else.

The Electronic Financial Planning Worksheet



SLIDE 22

The *Electronic Financial Planning Worksheet* (eFPW) is an Excel version of the *Financial Planning Worksheet* that automatically calculates and fills in the spending plan. It is available through your CFS, a FFSC financial counselor or on the Commander, Navy Installations Command (CNIC) website at: https://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/personal_finances/personal_planning.html.

SUMMARY

Sources of Help

> ***Trainer's note:*** Refer learners to the *Sources of Help for Military Consumers* handout.

SLIDE 23

A business would bring in a consultant if it started to run into financial problems. If you are having financial difficulties or need assistance creating a spending plan, there are resources where you can get help.

Sources of help include:

- Command Financial Specialist
- Fleet and Family Support Center financial counselors
- Navy-Marine Corps Relief Society
- Military OneSource

Let's Review

SLIDE 24

Understanding the fundamentals of the *Financial Planning Worksheet* provides you with a broad understanding of financial planning and the road to financial security. Let us review the five components of the worksheet:

1. The "net worth" section on Page 1 helps you measure your current wealth by subtracting everything you owe (debts) from everything you own (assets). Your net worth should increase every year.
2. The "cash flow," or budget section, on Pages 2 through 4 allows you to calculate monthly net income, total monthly savings and living expenses, total monthly debt payments, surplus or deficit, and debt-to-income ratios. A great goal for your cash flow is to have 70 percent of your money going to living expenses, no more than 20 percent to debt payments and at least 10 percent to savings and investments.
3. The "action plan" on Page 5 helps you plan ways to cut expenses and debt payments and increase income, and it provides a place to write down financial goals. Commit to your intentions by putting them in writing and making the necessary changes in your cash flow.
4. The "spending plan" on Page 6 provides a paycheck-by-paycheck plan to ensure your actual day-to-day spending is in line with the amounts you have budgeted. It is important to refer to this frequently to stay on track or when you are faced with an unplanned expense. Look at the spending plan and ask yourself, "Of all the things I have already thought about and planned for, which am I willing to give up in order to spend the money on something else?" Update your spending plan as your income and expenses change.
5. Two expense-tracking pages are provided for your convenience on Pages 7 and 8. Everyone benefits from tracking expenses for a paycheck or two. It is not as hard as it seems, because you only have to track out-of-pocket expenses. Everything else is usually paid for with a check, debit card, automatic deductions or a credit card, so you will have a written record of them already.

These are not just the components of the *Financial Planning Worksheet*; they are the critical components of any well-crafted and effective financial plan. Once you understand and use these components, you are well on your way to building wealth and financial security.

OPTIONAL LEARNER ACTIVITY: *Bowling for Budgets* Review Game

Trainer's note: See "Introduction to the Courses: PowerPoint Games" for information on how to conduct this review activity.

Bowling for Budgets Review Game

1. What are the five components of the *Financial Planning Worksheet*?
   Answer:
   - Net worth
   - Cash flow or budget
   - Action plan
   - Spending plan
   - Expense tracking
2. What are the four parts of the cash flow or budget portion of the worksheet?
   Answer:
   - Income
   - Savings
   - Living expenses
   - Indebtedness
3. What are three ways any budget can be improved?
   Answer:
   - Increase income
   - Decrease living expenses
   - Decrease indebtedness
4. In goal setting, what does SMART stand for?
   Answer:
   - Specific
   - Measurable
   - Action-oriented
   - Realistic
   - Timely

5. What is the difference between a short- and long-term goal?
   Answer: A short-term goal is a goal to be achieved in five years or less. Long-term is more than five years.
6. Name two of the three things that form the foundation or Management Level of the Financial Planning Pyramid.
   Answer:
   - Adequate income
   - Controlled spending
   - Adequate insurance
7. What are the three types of savings funds on the Savings Level of the Financial Planning Pyramid?
   Answer:
   - Emergency
   - Reserve
   - Goal-getter
8. What is the definition of "net income"?
   Answer: Total pay and allowances (gross) less taxes
9. What are the guidelines (percentages) for a well-balanced budget?
   Answer: 70 percent living expenses, 20 percent indebtedness, 10 percent savings
10. Net worth is a measure of wealth. What is the formula for net worth?
    Answer: Assets minus liabilities, or what you own minus what you owe.
11. List at least three ways having a written spending plan can help you.
    Answer:
    - Live within your income.
    - Realize personal goals.
    - Maintain a good credit history.
    - Get more for your money.
    - Reduce financial stress and arguments.
    - Achieve financial competence and confidence.
12. What is the definition of gross income?
    Answer: Total pay and allowances; everything you earn.

13. Name at least one source of help for developing your spending plan.
    Answer:
    - Command Financial Specialist
    - Fleet and Family Support Center financial counselors
    - Navy-Marine Corps Relief Society budget counselors
    - Debt-management programs at credit unions
    - Credit counseling services or other nonprofit debt-management counseling program
14. What does it mean if you have a debt-to-income ratio that is higher than 40 percent, excluding your mortgage?
    Answer: You are in a critical debt situation and should seek immediate help.
15. How long should you track expenses to get a realistic picture of your spending habits?
    Answer: One month
16. How much of your income should you save each month?
    Answer: 10 percent.
17. Where can you get a copy of the Excel version of the Financial Planning Worksheet?
    Answer: From the CNIC website, your Command Financial Specialist, your FFSC financial counselor, or at http://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/personal_finances/personal_planning.html
18. When should you start working on your spending plan?
    Answer: Today!

OPTIONAL SHORT COURSE

The following instructions and topics allow you to facilitate this course in 15 to 30 minutes. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides. Note that you can also use the *Bowling for Budgets* review game to present the course content if you have less than the allotted 60 minutes or are looking for a different presentation method.

Time: 15 to 30 minutes

Handouts:

- *Debt-to-Income Ratio*
- *Financial Planning Pyramid*
- *Financial Planning Worksheet*
- *Financial Planning Worksheet Checklist*
- *Sources of Help for Military Consumers*
- *Spending Plan Exercise*

Topics:

Welcome and Introduction

Slide 1: Start with a brief introduction of yourself and the topic. Pass out the course handouts and tell learners that the handouts provide a review of content covered in this course (or brief) as well as additional content not covered.

Slide 2: Refer learners to the *Financial Planning Pyramid* handout. Use Slide 2 to cover the levels of the pyramid and discuss how these levels establish the foundation for successful financial management.

Slides 3 to 5: Cover the basic features and benefits of a spending plan. You may wish to solicit learners for their input on the benefits to having an effective, realistic spending plan.

The Financial Planning Worksheet

Trainer's note: The full *Developing Your Spending Plan* course is based on modeling how to complete each of the sections of the *Financial Planning Worksheet* through the *Spending Plan Exercise*. Typically with a shortened course or brief there will not be sufficient time to conduct this activity. Instead, you will be providing an overview of the different sections of the *Financial Planning Worksheet* and explaining what information is captured in each section and why that information is important. You may wish, however, to give learners a copy of the *Spending Plan Exercise* worksheet, because it provides an explanation of how to fill out the information on a *Financial Planning Worksheet*.

Slide 6: Introduce the *Financial Planning Worksheet* and briefly cover the different sections. Explain that this is the worksheet the Navy uses and that the different sections are used to complete a comprehensive financial plan, provide a big picture of their current financial situation and help to establish goals for the future.

Slides 7 to 8: Briefly explain net worth using Slide 7, then discuss the cash flow section using Slide 8. Explain the different components of the cash flow, or budget, section of *Financial Planning Worksheet*.

Slides 9 to 14: List the features of each of the budget sections of the *Financial Planning Worksheet* (income, savings, living expenses, indebtedness). The goal is to provide an overview of what information goes into each section. For this shortened course, omit discussions on how figures are calculated. Refer learners to the tracking pages of the *Financial Planning Worksheet* and the *Financial Planning Worksheet Checklist* handout. Explain that a spending plan is only as good as the information that goes into it. Tell learners that they can use the *Financial Planning Worksheet Checklist* handout to help gather what they need to complete their spending plan but that to ensure accurate information they may also need to track their expenses. Expand on the importance of tracking expenses and the different methods that can be used to keep track of expenditures. Finally, discuss the summary section of the *Financial Planning Worksheet* and explain how this is used to determine your budget "bottom line." Refer learners to the *Debt-to-Income Ratio* handout and provide a brief description of a debt-to-income ratio and how it is used in lieu of covering this in later slides.

Slides 17 to 19: Discuss the different ways to improve any financial situation through increasing income, decreasing expenses and/or decreasing debt. Then explain the importance of goal setting and using SMART goals. If time allows, you may wish to ask learners for common financial goals so that you can illustrate how to structure effective SMART goals.

Slides 20 to 21: Briefly cover the function of the spending plan section of the *Financial Planning Worksheet*. Explain that the electronic version of the *Financial Planning Worksheet* is used by CFSs and FFSC financial counselors to create their budget but that learners can download the electronic spreadsheet from the CNIC website: http://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/personal_finances/personal_planning.html.

Summary

Slide 22: Refer learners to the *Sources of Help* handout and review the resources available to help them to create a realistic and effective spending plan. End the course/brief by inviting learners to the full *Developing Your Spending Plan* course and to visit their CFS or FFSC financial counselor for additional information and assistance.

Debt-to-Income Ratio

Follow the instructions below to calculate your debt-to-income ratio.

1. Write down your net income (gross monthly pay minus taxes only; i.e., federal taxes, state taxes and Social Security). 1. ____________

2. List your monthly installment credit payments (Include charge accounts, car payments, advance pay, overpay, etc. Do not include rent, mortgage, utilities or insurance payments.)

Creditor	Monthly Payment
A. ____________	$ ________
B. ____________	$ ________
C. ____________	$ ________
D. ____________	$ ________
E. ____________	$ ________
F. ____________	$ ________
G. ____________	$ ________
H. ____________	$ ________
I. ____________	$ ________
J. ____________	$ ________

2. ____________
Total Payments

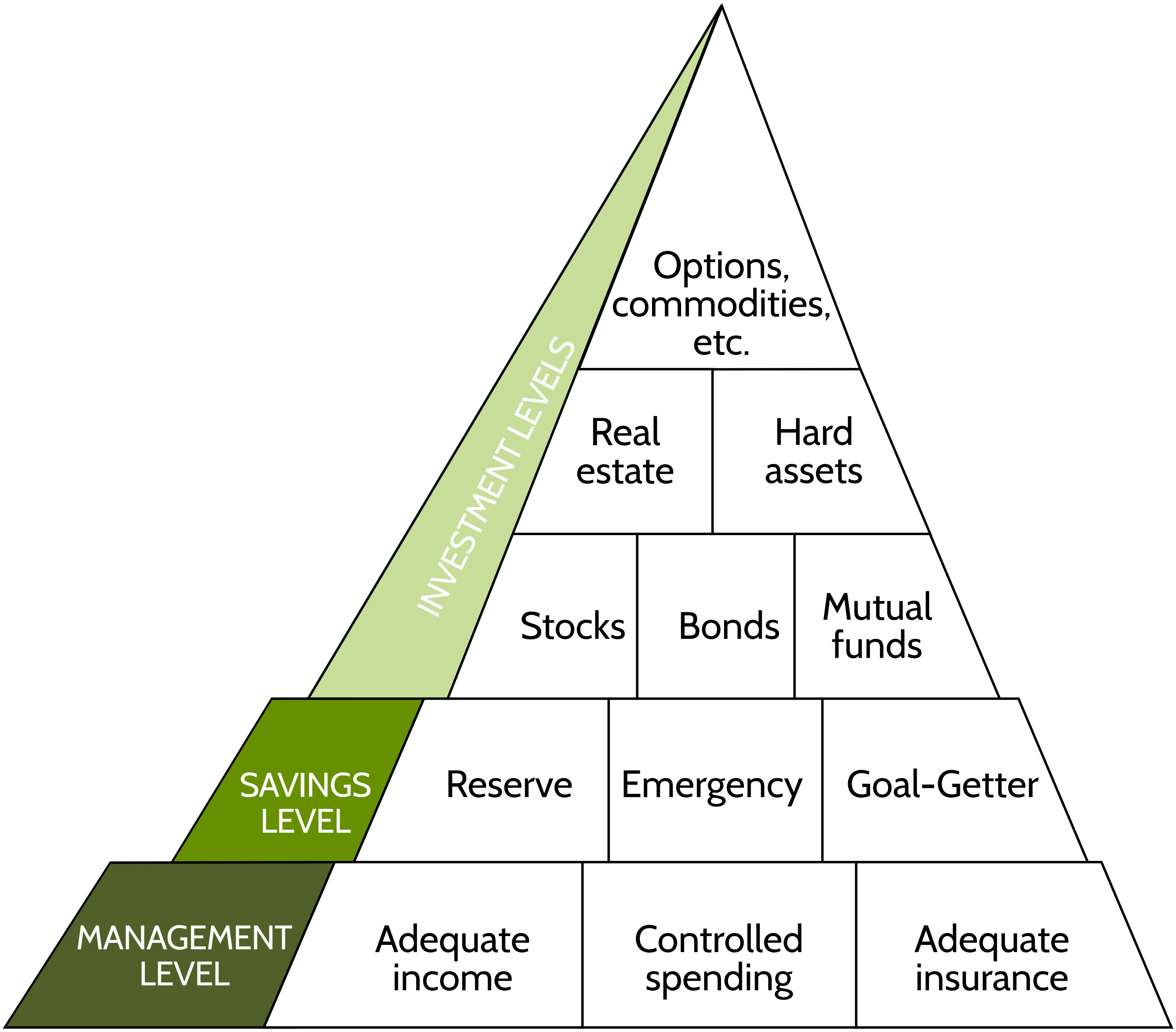
Divide the total payments in Step 2 by the net income in Step 1 and multiply by 100.

(2) ____________ ÷ (1) ____________ x 100 = ____________ %
Total

Percent	Status
Less than 15%	Some additional credit may be used with caution.*
15–20%	Fully extended.
21–30%	Overextended.
Greater than 30%	Seriously overextended. Seek help!

* Will the additional monthly payment put you over 20 percent? Large families may have a difficult time with 16 percent or more.

Financial Planning Pyramid



Financial Planning Worksheet

Date ______________________ Rate ______________________

Name ______________________ Age ______________________

Pay Grade ______________ Yrs. in Svc. ______________ Date Reported/PRD (Transfer) ________

Marital Status ______________ Spouse's Name ______________ Age ______________

Spouse's Place of Employment ______________________________

Number of Children and Ages ______________________________

Home Address ______________________________

Work Telephone ______________________ Home Telephone ______________________

Command & Referred By (Self, CMD, NMCRS, FFSC, etc.) ______________________________

Amount of SGLI Elected ______________________ Amount of FSGLI Elected ______________________

TSP Monthly Contribution ______________________ MGIB Monthly Contribution ______________________

STATEMENT OF NET WORTH

ASSETS

Cash on hand	$ ________
Checking Accounts	$ ________
Savings Accounts	$ ________
Certificates of Deposit	$ ________
Cash Value of Life Insurance	$ ________
U.S. Savings Bonds	$ ________
Mutual Funds/Money Market	$ ________
Stocks/Bonds	$ ________
College Funds	$ ________
401(k)/403(b)/TSP	$ ________
Other (IRAs, etc.)	$ ________
Real Estate (Market Value)	
Home	$ ________
Rental Property	$ ________
Other (vacation home/trailer/time share)	$ ________
Personal Property	
Vehicles/Motorcycles/Boats	$ ________
Furniture	$ ________
Jewelry	$ ________
Other (collectibles, etc.)	$ ________

Counseling Provided By: ______________________

Counselor Phone #: ______________________

Appointment Date: ____________ Time: ________

Place: ______________________

LIABILITIES

Signature Loans	$ ________
Auto Loans or Leases	$ ________
Consolidation Loans	$ ________
Student Loans	$ ________
NEX/AAFES (Star Card)	$ ________
Department Store Credit Cards	$ ________
Other Credit Cards	$ ________
NMCRS (loan)	$ ________
Other (friends, relatives, etc.)	$ ________
Advance/overpayments	$ ________
Mortgages-Balances Due	
Home	$ ________
Rental Property	$ ________
Other (vacation home/trailer/time share)	$ ________

TOTAL ASSETS	$ ________
TOTAL LIABILITIES	$ ________
NET WORTH (Assets – Liabilities)	$ ________

MONTHLY INCOME

ENTITLEMENTS		ACTUAL		PROJECTED		REMARKS
*	Base Pay					
	Basic Allowance for Housing (BAH I or II)					
	Overseas Housing Allowance (OHA)					
	Basic Allowance for Subsistence (BAS)					
	Family Separation Allowance (FSA)					
*	Flight Pay/Diving Pay/Flight Deck Pay					
*	Submarine Pay					
*	Other Hazardous Duty Pay					
*	Sea Pay					
	Taxable COLA					
	Other (tax exempt/allowance eg. COLA/FSSA)					
	TOTAL MILITARY COMPENSATION (A)					
*	Taxable pay ( )					Excludes pretax ded for TSP/MGIB
DEDUCTIONS		ACTUAL		PROJECTED		REMARKS
	ALLOTMENT					For/ends?
	ALLOTMENT					For/ends?
	ALLOTMENT					For/ends?
	ALLOTMENT					For/ends?
	ALLOTMENT					For/ends?
	Family SGLI (for spouses)					
	Servicemembers' Group Life Insurance (SGLI)					
	Uniform Services TSP					
	MGIB					
	FITW Filing Status Actual					Proj. Status:
	FICA (Social Security)					Base Pay Only, Excludes MGIB
	FICA (Medicare)					Base Pay Only, Excludes MGIB
	State Income Tax					State Claimed:
	AFRH (Armed Forces Retirement Home)					
	TRICARE Dental Plan (TDP)					
	Advance Payments					Ends:
	Overpayments					Ends:
	TOTAL DEDUCTIONS (B)	$		$		
CALCULATE NET INCOME		ACTUAL		PROJECTED		REMARKS
	Service Member's Take-Home Pay (A-B)	$		$		Divide by 2 for Payday Amount
	Service Member's Other Earnings (less taxes)					
	Spouse's Earnings (less taxes)					
	ALLOTMENT					
	ALLOTMENT					
	ALLOTMENT					
	ALLOTMENT					
	ALLOTMENT					
	Family SGLI (For Spouses)					
	Servicemembers' Group Life Insurance (SGLI)					
	Uniform Services TSP					
	MGIB					
	TRICARE Dental Plan (TDP)					
	Advance Payments					
	Overpayments					
	Child Support/Alimony (received/income)					
	Other Income (e.g. SSI, rental income)					
	TOTAL MONTHLY NET INCOME	$		$		

****Note:** *Pay Entitlements are taxable. Allowance Entitlements are non-taxable.*

MONTHLY SAVINGS AND LIVING EXPENSES

Note: Actual or Projected figures can be carried forward to spending plan.

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		

LIVING EXPENSES		ACTUAL		PROJECTED		REMARKS
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$_____Long Distance=$_____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS (Mos Behind, Pd by Allotment, etc.)	APR %
1. US Govt.	Advance Pay				Automatic Deduction	
2. US Govt.	Overpayments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
8.						
10.						
11.						
12.						
13.						
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21.						
22.						
23.						
24.						
25.						
	TOTAL					

SUMMARY

		ACTUAL	PROJECTED
NET INCOME (Bottom of Page 2)			
SAVINGS AND INVESTMENTS (Page 3)	-		
LIVING EXPENSES (Page 3)	-		
AMOUNT LEFT TO PAY DEBTS	=		
TOTAL MONTHLY DEBT PMTS (Page 4)	-		
SURPLUS OR DEFICIT	=		
DEBT-TO-INCOME RATIO	=		

(Total Monthly Debt Payments ÷ Net Income x 100 = Debt-to-Income Ratio)

ACTION PLAN

INCREASE INCOME

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

DECREASE LIVING EXPENSES

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

DECREASE INDEBTEDNESS

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

REFERRALS/RECOMMENDED TRAINING

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

SETTING YOUR GOALS (Short and Long Term)

GOAL	COST	DATE WANTED	= MONTHLY SAVINGS TO REACH GOAL
1.			
2.			
3.			
4.			
5.			
6.			

MONTHLY SPENDING PLAN

☐ TOTAL NET INCOME ☐ TOTAL TAKE-HOME PAY	MONTH		MONTH		MONTH	
BY PAYDAY	1st	15th	1st	15th	1st	15th

*If using take-home pay amount, do not include any savings, expenses or debt payments that are deducted from pay or paid by allotment.

P = Planned Expenses A = Actual Expenses	Budgeted Amount	P	A	P	A	P	A	P	A	P	A	P	A
Savings & Investments													
Housing													
Food													
Utilities													
Transportation													
Clothes													
Insurance													
Health													
Education													
Contributions													
Subscriptions													
Personal													
Entertainment													
Dependent Care													
Miscellaneous													
Creditors													
TOTALS	$												

DAILY EXPENSES

Keep track of your daily expenses for two weeks

Keep a record of how you spend your money for the next two weeks. The secret is to record it when you spend it. Using a sticky note in your wallet or purse will help you track your expenditures. When you go for your money, make a note on your sticky (write the amount and the item). At the end of the day, transfer the recorded amounts to this record. Be sure to include bills paid, along with sodas, lunches, etc.

Remember, this is for tracking your take-home pay. Do not include allotments.

TAKE-HOME PAY FOR TWO WEEKS Dates

DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:			
Item:	Amount:	Item:	Amount:	Item:	Amount:	Take-Home Pay: Amount Spent: Balance:	$ __________ $ __________ $ __________ (+ or -)

DAILY EXPENSES

Keep track of your daily expenses for two weeks

Keep a record of how you spend your money for the next two weeks. The secret is to record it when you spend it. Using a sticky note in your wallet or purse will help you track your expenditures. When you go for your money, make a note on your sticky (write the amount and the item). At the end of the day, transfer the recorded amounts to this record. Be sure to include bills paid, along with sodas, lunches, etc.

Remember, this is for tracking your take-home pay. Do not include allotments.

TAKE-HOME PAY FOR TWO WEEKS Dates

DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:		DATE:	
Item:	Amount:	Item:	Amount:	Item:	Amount:	Item:	Amount:
DATE:		DATE:		DATE:			
Item:	Amount:	Item:	Amount:	Item:	Amount:	Take-Home Pay: $ __________ Amount Spent: $ __________ Balance: $ __________ (+ or -)	

Financial Planning Worksheet Checklist

Items you will need in order to complete your *Financial Planning Worksheet*:

- ☐ Current Leave and Earnings Statement (LES)
- ☐ Other pay statements
- ☐ Record of any other monthly income
- ☐ Monthly bills and payments
  - Electricity/gas
  - Phone (home/cell)
  - Cable/satellite
  - Internet
  - Water/sewage/garbage
  - Insurance
- ☐ Debt payments (showing minimum payment, balance, APR)
  - Car loans
  - Personal loans
  - Student loans
  - Credit cards
  - Any other debt
- ☐ Current bank statements
- ☐ Current statements of investments (including TSP)
- ☐ Recent credit report (www.annualcreditreport.com)
- ☐ Values of your home and any property (www.homegain.com)
- ☐ Value of your cars and vehicles
  - www.kbb.com
  - www.nada.com
  - www.edmunds.com

Other items needed:

- ☐ *Financial Planning Worksheet*
- ☐ Calculator
- ☐ Pencils

Resources:

- Command Financial Specialist
- Fleet and Family Support Center financial counselors
- Navy-Marine Corps Relief Society

Sources of Help for Military Consumers

Sample Complaint Letter

Your Address
Your City, State, Zip
Date

Name of Contact Person, if available
Title, if available
Company Name
Consumer Complaint Division (if you have no specific contact)
Street Address
City, State, Zip Code

Dear (Contact Person),

Re: (account number, if applicable)

On (date), I (bought, leased, rented or had repaired) a (name of the product, with serial or model number or service performed) at (location, date and other important details of the transaction).

Unfortunately, your product (or service) has not performed well (or the service was inadequate) because (state the problem). I am disappointed because (explain the problem: for example, the product does not work properly, the service was not performed correctly, I was billed the wrong amount, something was not disclosed clearly or was misrepresented, etc.).

To resolve the problem, I would appreciate your (state the specific action you want — money back, charge-card credit, repair, exchange, etc.). Enclosed are copies (do not send originals) of my records (include receipts, guarantees, warranties, canceled checks, contracts, model and serial numbers and any other documents).

I look forward to your reply and resolution to my problem and will wait until (set a time limit) before seeking help from a consumer-protection agency or the Better Business Bureau. Please contact me at the above address or by phone at (home and/or office numbers with area code).

Sincerely,
(Your Name)

Enclosure(s)

Describe the purchase.
Include the name of product and serial number.
Include the date and place of purchase.

State the problem.
Give the history.

Ask for specific actions.
Include copies of documents.

Allow time for action.
State how you can be reached.

Keep copies of all of your letters, faxes, emails and related documents.

How to Complain Effectively

- See your Command Financial Specialist for guidance.
- Save all purchase-related paperwork. Include copies of receipts, repair orders, warranties, canceled checks, contracts and any letters to or from the company.
- If you have a problem:

1. Contact the business – start with the salesperson with whom you dealt or the manager. Clearly and calmly describe the problem and the action you would like them to take. Document their response in writing.
2. Contact the company president or a representative of the manufacturer. Use the Sample Complaint Letter. Send it by certified mail, return receipt requested.
3. Contact industry trade associations.
4. Contact local and state consumer advocates for further assistance. Do not give up until you are satisfied. Use the quick resource list on the reverse side of this page for consumer-protection contacts.

STOP IT!
Getting Your Name Off Solicitation Lists

Get Your Name Off Solicitation Lists:

Type of Solicitation	Contact	Other Information
Phone Calls	National Do Not Call Registry www.donotcall.gov 1-888-382-1222	You can file a complaint about solicitation calls after your number has been on the list for 31 days.
Junk mail and email	Direct Marketing Association www.DMAchoice.org	Included at this site: ▪ Credit offers ▪ Catalogs ▪ Magazine offers ▪ Other mail offers ▪ Email preference service
Credit or insurance offers	www.optoutprescreen.com	The official credit reporting industry website to accept and process requests from consumers to opt-in or out of credit or insurance offers.

How To File A Complaint About A Sales Call:

If you believe a sales call is in violation of the Federal Trade Commission rule and want to file a complaint, you can use one of the following sites:

Federal Trade Commission:
https://www.ftccomplaintassistant.gov

Federal Communications Commission:
www.fcc.gov/complaints or 1-888-225-5322

National Do Not Call Registry: www.donotcall.gov

Protect Your Personal Information

- Guard your Social Security number.
- Sign credit/debit cards when they arrive.
- Carry only the cards you need.
- Keep your PIN secret.
- Avoid obvious passwords.
- Store personal information in a safe place at home and at work.
- Do not give card numbers to strangers.
- Watch out for "shoulder surfers."
- Keep your receipts.
- Destroy documents that contain account information (when no longer needed).
- Protect your mail.
- Pay attention to your billing cycles and check statements against receipts.
- Check your credit report once a year.

Think Before You Click: Practice Safe Computing

- Protect your personal information online.
- Know who you are dealing with and do not give out personal information.
- Use anti-virus and anti-spyware software and a firewall, and update these programs regularly.
- Use strong passwords and keep them private.
- Back up important files securely.
- Be careful using public wireless networks (Wi-Fi).
- Lock and password protect your laptop, tablet, smartphone and mobile devices.

Websites for Consumers

The Consumer Action Handbook: www.consumeraction.gov

Consumer Protection

Better Business Bureau: www.bbb.org
Center for Responsible Lending: www.responsiblelending.org
Consumer safety tips: www.consumer.gov
Consumer Reports: www.consumerreports.org
Federal Citizen Information Center: http://publications.usa.gov/
Federal Trade Commission: www.ftc.gov
Free annual credit reports: www.annualcreditreport.com
Internet Crime Complaint Center: www.ic3.gov
Kelley Blue Book: www.kbb.com
Military OneSource: www.militaryonesource.com
NADA Car Guides: www.nada.com
National Association of Attorneys General: www.naag.org
National Consumers League: www.natlconsumersleague.org
National Consumers League Fraud Center: www.fraud.org
National Legal Aid & Defender Association: www.nlada.org
Network of consumer hotlines: www.callforaction.org
Payday loan consumer information: www.PayDayLoanInfo.org
Public Citizen, consumer advocacy: www.citizen.org

Emergency Financial Assistance

American Red Cross: www.redcross.org
Navy-Marine Corps Relief Society: www.nmcrs.org

Financial Information and Counseling

Consumer credit counseling: www.nfcc.org

Credit reporting agencies:

Equifax: www.equifax.com/home/en_us
Experian: www.experian.com
TransUnion: www.transunion.com
Free annual credit report: www.annualcreditreport.com

Navy Fleet and Family Support Program:
http://www.cnic.navy.mil/ffr/family_readiness.html

Predatory Lending

Center for Responsible Lending: www.responsiblelending.org
Payday Loan Consumer Information: www.PayDayLoanInfo.org

Spending Plan Exercise

SECTION 1: INCOME

In this section, you are provided with income information for Petty Officer Pete Williams and his wife, Jennifer. Pete is an E-4 with four years of service and is currently serving on sea duty in Virginia. Using Pete's Leave and Earnings Statement (LES), fill in the following income section from the *Financial Planning Worksheet*. Note: These numbers go in the "Actual" column. Put the totals for "A," Total Military Compensation, and "B," Total Deductions, in the calculation area below.

Pete's Income Info
Base Pay $2,328
BAH $1,380
BAS $357.55

LES Deductions
Family SGLI $5
SGLI $29
FITW (M/0) $157.47
FICA (SS) $144.34
FICA (M) $33.76
AFRH $.50
TSP $69.84 (3%)
TRICARE Dental $10.96

MONTHLY INCOME					
ENTITLEMENTS	ACTUAL		PROJECTED		REMARKS
* Base Pay					
Basic Allowance for Housing (BAH I or II)					
Overseas Housing Allowance (OHA)					
Basic Allowance for Subsistence (BAS)					
Family Separation Allowance (FSA)					
* Flight Pay/Diving Pay/Flight Deck Pay					A
* Submarine Pay					
* Other Hazardous Duty Pay					
* Sea Pay					
Taxable COLA					
Other (tax exempt/allowance eg. COLA/FSSA)					
TOTAL MILITARY COMPENSATION (A)					
* Taxable pay ( )					Excludes pretax ded for TSP/MGIB
DEDUCTIONS	ACTUAL		PROJECTED		REMARKS
ALLOTMENT					For/ends?
ALLOTMENT					For/ends?
ALLOTMENT					For/ends?
ALLOTMENT					For/ends?
ALLOTMENT					For/ends?
Family SGLI (for spouses)					
Servicemembers' Group Life Insurance (SGLI)					
Uniform Services TSP					
MGIB					
FITW Filing Status Actual					Proj. S
FICA (Social Security)					Ba B ludes MGIB
FICA (Medicare)					Ba ludes MGIB
State Income Tax					Stat
AFRH (Armed Forces Retirement Home)					
TRICARE Dental Plan (TDP)					
Advance Payments					Ends:
Overpayments					Ends:
TOTAL DEDUCTIONS (B)	$		$		

Calculating Take-Home Pay:

To calculate your take-home pay, subtract (B) Total Deductions from (A) Total Military Compensation.

(A) ____________________ – (B) __________________ = ____________________ Take-Home Pay

Service Member's Take-Home Pay (A-B)	$		$		Divide by 2 for Payday Amount
Service Member's Other Earnings (less taxes)					
Spouse's Earnings (less taxes)					
ALLOTMENT					
ALLOTMENT					
ALLOTMENT					
ALLOTMENT					
ALLOTMENT					
Family SGLI (For Spouses)					
Servicemembers' Group Life Insurance (SGLI)					
Uniform Services TSP					
MGIB					
TRICARE Dental Plan (TDP)					
Advance Payments					
Overpayments					
Child Support/Alimony (received/income)					
Other Income (e.g. SSI, rental income)					
TOTAL MONTHLY NET INCOME	$				

**Note:* Pay Entitlements are taxable. Allowance Entitlements are non-taxable.*

Jennifer's Pay info...

$1,000/month after taxes

TOTAL MONTHLY NET INCOME

The next step is to calculate net income. Net income is total income minus taxes. Because an LES combines other deductions such as insurance and allotments, it is necessary to add those amounts to the take-home pay. In this section, additional income is included for a total of the household net monthly income.

(1) Enter the service member's take-home pay in the top shaded area.

(2) Enter Jennifer's monthly net income (total pay minus taxes).

(3) Enter all non-tax items from Pete's LES (note: Do not include the $.50 AFRH).

(4) Add these figures to calculate total net monthly income.

Section 2: Monthly Savings

MONTHLY SAVINGS AND LIVING EXPENSES

Note: Actual or Projected figures can be carried forward to spending plan.

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$				

TOTAL SAVINGS AND INVESTMENTS

Savings are a vital part of sound financial management. Remember that you should always pay yourself first; the *Financial Planning Worksheet* lists savings as the first "expense."

Pete and Jennifer have started an emergency fund by putting $150 into this account every two weeks. Pete is enrolled in TSP and has 3 percent of his base pay going into his TSP account. Enter these figures for savings and investments in the section about savings and investments and calculate the total.

Section 3: Monthly Living Expenses

Living expenses account for the majority of most individuals' incomes. From the list below, put the expenses in the appropriate category. When you have completed entering the expenses, add up Pete and Jennifer's monthly living expenses.

LIVING EXPENSES		ACTUAL		PROJECTED		REMARKS
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work l
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$_____Long Distan
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/F
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MG
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sport
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

Our monthly expenses:

Rent: $1,125
Eating out: $100
Groceries/supplies: $480
Jennifer's lunches: $100
Vending and coffee: $50
Cellphones: $120
Power: $100
Cable/Phone/Internet: $125
Water/garbage: $30
Jennifer – Gas: $120
Pete – Gas: $200
Clothes/shoes: $100
Car insurance: $230
Renter's insurance: $25
FSGLI/SGLI: $34
TRICARE Dental: $10.96
Sports/hobbies: $30
Movie/game rentals: $20
DVDs/CDs: $40
MP3 downloads: $25
Going out/movies: $150
Haircuts/nails: $100
Beer and wine $30
Pet supplies: $30

Section 4: Indebtedness

Indebtedness is any account on which you owe a balance. Pete and Jennifer have tried to be careful with credit. Pete's car is paid for, but they do have a loan on Jennifer's. They have one department store credit card, still owe the jewelry store for their wedding rings and they have a personal loan at their credit union that they used to buy furniture. Take their list and calculate their total indebtedness. Include the name of the creditor, the amount, the balance and the annual percentage rate (APR).

Town Credit Union
$150/month
Balance $1,300
APR: 12%

INDEBTEDNESS 20%

CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS (Mos Behind, Pd by Allotment, etc.)	APR %
1. US Govt.	Advance Pay				Automatic Deduction	
2. US Govt.	Overpayments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
8.						
10.						
11.						
12.						
	TOTAL					

Best Shopping
$40/month
Balance: $1,000
APR: 21%

Big City Auto
$450/month
Balance: $5,500
APR: 5%

Fine Jewels Ltd.
$100/month
Balance: $900
APR: 21%

Section 5: Summary

The summary section shows whether you have a surplus or deficit budget. From the previous sections, calculate the spending plan summary.

		ACTUAL	PROJECTED
NET INCOME (Bottom of Page 2)			
SAVINGS AND INVESTMENTS (Page 3)	-		
LIVING EXPENSES (Page 3)	-		
AMOUNT LEFT TO PAY DEBTS	=		
TOTAL MONTHLY DEBT PMTS (Page 4)	-		
SURPLUS OR DEFICIT	=		
DEBT-TO-INCOME RATIO	=		

(Total Monthly Debt Payments ÷ Net Income x 100 = Debt-to-Income Ratio)

What is the outcome? Do Pete and Jennifer have a surplus or deficit budget?

Section 6: The Action Plan

When you have calculated the total of this or any spending plan, there are three options you have to change your "bottom line":

1. **Increase Income**
2. **Decrease Living Expenses**
3. **Decrease Debt**

Which one of these three options do you think is the easiest to do?

Based on the information in Pete and Jennifer's spending plan, what can they do to improve their current situation? List at least three ways they can increase income, decrease expenses or decrease their debt. Your answers can be any of these or any combination of these options.

Increase Income

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

Decrease Living Expenses

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

Decrease Debt

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

Section 7: Financial Goal Setting

Based on the information you have learned today, what do you think you could do to put yourself in the best possible financial situation? Using the SMART criteria, create two short-term goals and one long-term personal financial goal.

- **Smart**
- **Measurable**
- **Action-oriented**
- **Realistic**
- **Timely**

SETTING YOUR GOALS (Short and Long Term)

GOAL	COST	DATE WANTED	= MONTHLY SAVINGS TO REACH GOAL
1.			
2.			
3.			
4.			
5.			
6.			

When you are done, you have SMART goals ready to insert into your own financial planning worksheet.