

# Resources for a Million Dollar Sailor



A personal wealth building program for Sailors and family members

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# **Chapter 1: Million Dollar Sailor on Military Pay**

**While military personnel receive a steady paycheck, they also experience many fluctuations in pay that affect their financial goals and progression on the path to becoming a Million Dollar Sailor. A crucial and primary step on the road to financial freedom is both the anticipation and understanding of changes that affect military compensation.**



# Military Pay and Your LES

This handout is published as a guide to inform you about your DFAS Leave and Earnings Statement (LES) and what it means to you. Each month, you will receive, or find on myPay, an LES showing entitlements, deductions and allotments. If, after reading this handout, you have any questions concerning your pay, check with your disbursing office.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																	
ID	NAME (Last, First, MI)				SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED					
ENTITLEMENTS				DEDUCTIONS				ALLOTMENTS				SUMMARY					
Type		Amount		Type		Amount		Type		Amount		+ Amt Fwd					
A	BASE PAY			FEDERAL TAXES				DISCRETIONARY ALT				+ Tot Ent					
B	BAH			FICA-SOC SECURITY				DISCRETIONARY ALT				- Tot Ded					
C	CSP			FICA-MEDICARE				AFAF ALLOT				- Tot Almt					
D	BAS			SGLI FOR 250,000				TRICARE DENTAL				= Net Amt					
E	CRA			AFRH								- Cr Fwd					
F				MEAL DEDUCTION								= EOM Pay					
G				MID-MONTH-PAY													
H																	
I																	
J																	
K																	
L																	
TOTAL		5463.97				3103.35				240.29		DIEMS			RETPLAN		
F	LEAVE	BF Bal	Ernd	Used	Cr Bal	ETS Bal	LV Lost	LvPd	Use/Lose	FED TAXES	Wage Period	Wage YTD	M/S	Ex	Add Tax	Tax YTD	
H	FICA TAXES	Wage Period	Soc Wage YTD	Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE	St	Wage Period	Wage YTD	M/S	Ex	Tax YTD				
J	PAY DATA	BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2d JFTR	BAS Type	Charity YTD	TPC	PACIDN			
K	THRIFT SAVINGS PLAN (TSP)	Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Rate	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current								
		TSP YTD Deductions				Deferred				Exempt							
L	REMARKS:	YTD ENTITLEMENTS:				YTD Deductions:											
BAH BASED ON SEA DUTY TIME BANK NAME ACCOUNT #																	

DFAS Form 702, Jan 02

## KEY TO SECTIONS

- A** Shows the period covered by this LES. This LES will reflect any changes to your pay that the Defense Finance and Accounting Service-Cleveland (DFAS-CL) has processed. There may have been other changes to entitlements, but due to mail or processing delays, they are not reflected on this LES. In most cases, these changes will be reflected on the next LES.
- B** Displays all entitlements for the period covered. Any entitlements that were earned in previous months will be added to like entitlements or allowances.
- C** Displays all deductions from pay for the period covered. Any retroactive deductions will be added to like deductions.

**D** Displays all allotments deducted from pay for the period covered.

**E** Summarizes entitlements, deductions and allotments to provide the actual amount of money to be paid to the member on payday. Amount shown is the amount to be paid on the end-of-the-month payday.

“DIEMS” is the date you signed up for military service.

“RETPLAN” is the retirement plan under which you entered service.

**F** Provides the current status of your leave account.

“BF Bal” (brought forward leave balance) shows the number of days’ leave carried forward from the previous fiscal year ending Sept. 30.

“Ernd” is the cumulative amount of leave earned this fiscal year or current term of enlistment if the service member reenlisted/extended since the beginning of the fiscal year.

“Used” is the cumulative amount of leave used this fiscal year.

“Cr Fwd” is the current leave balance as of the end of the period covered by the LES.

“ETS Bal” shows the projected leave balance to the Expiration Term of Service (ETS).

“Lv Pd” periodically will display any leave sold back to the Navy.

“Use/Lose” is the projected number of days of leave that will be lost if not taken in the current fiscal year.

**G** Shows current federal tax information.

**H** Shows FICA information (Social Security tax plus Medicare tax).

**I** Shows current state tax information, including marital status and number of exemptions.

**J** Provides information for local disbursing use.

**K** Provides information on TSP contributions for the current year.

“Rate” boxes indicate the percentage of pay elected for contribution.

“Current” boxes indicate the contribution for this pay period.

**L** Provides information about changes in allotments, deductions or entitlements. Indicates career sea service counter.

### **USEFUL WEBSITES:**

[www.militaryonesource.mil](http://www.militaryonesource.mil)

[www.dfas.mil/militarymembers/](http://www.dfas.mil/militarymembers/)

<http://militarypay.defense.gov>

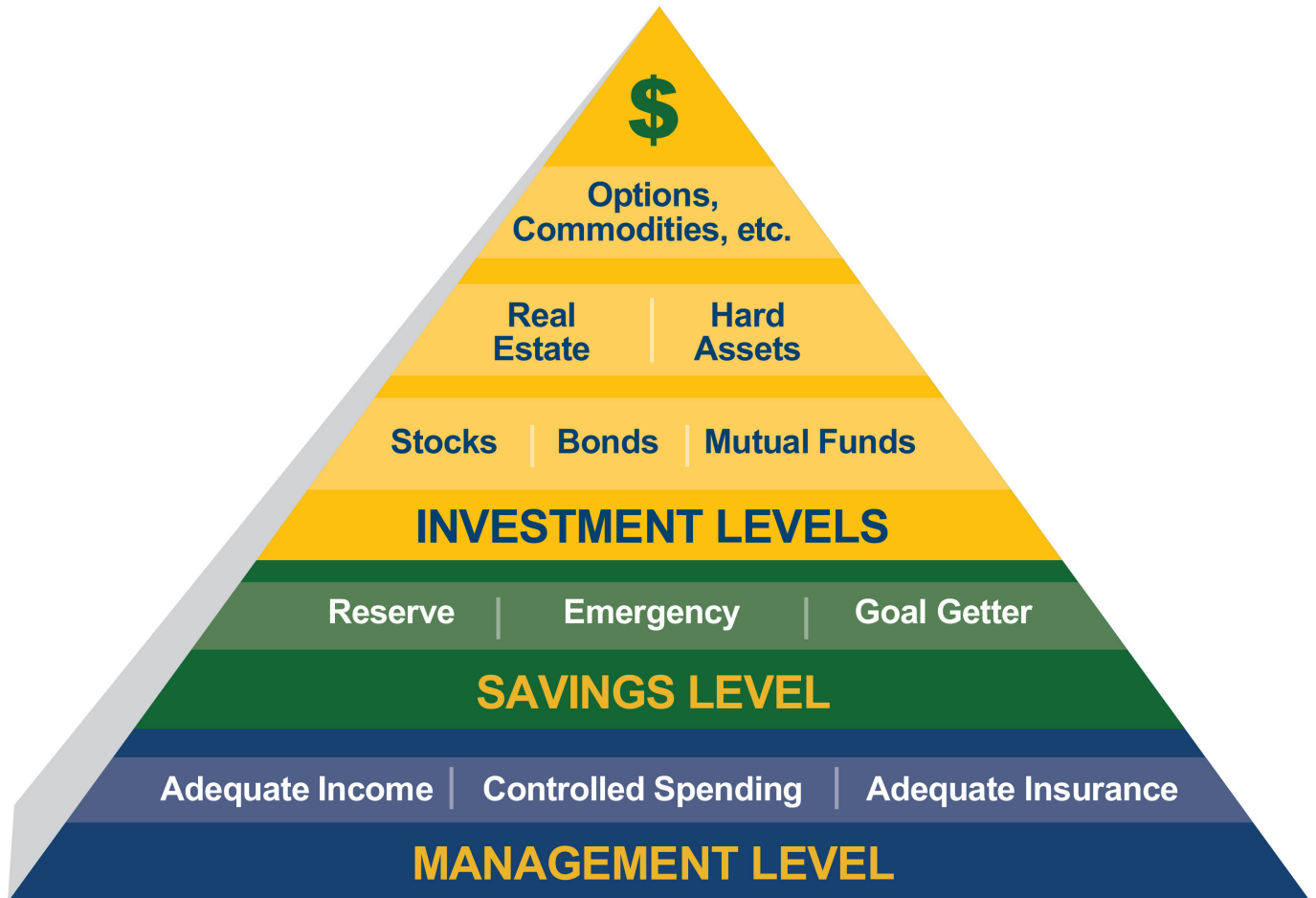
### **REMEMBER**

Your pay is your responsibility. Verify and keep your LES each month. If your pay varies significantly and you do not understand why, visit your Disbursing Office or <http://mypay.dfas.mil>.

# **Chapter 2: Millionaire Money Management**

**The ability to manage money effectively is the single most important factor in achieving financial success versus meeting financial failure. Becoming a Million Dollar Sailor requires a financial blueprint that outlines how money will be used to reach personal financial goals and to achieve financial freedom.**

# Financial Planning Pyramid





# Financial Planning Worksheet Checklist

## INCOME

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

## SAVINGS AND LIVING EXPENSES

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

## INDEBTEDNESS

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

## GENERAL

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

# SPENDING PLAN WORKSHEET

Use this worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

## Income

	Monthly (current)	Monthly (goal)
Service member's take home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take home pay (after taxes, benefits and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
<b>TOTAL MONTHLY TAKE HOME INCOME</b>	\$	\$

## Saving and Investing

Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
<b>TOTAL MONTHLY SAVINGS AND INVESTING</b>	\$	\$

## Housing

Monthly mortgage and property taxes (enter "0" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$

## Food

Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$

## Transportation

Auto/motorcycle loan payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public Transportation (Metro, bus, etc.) parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$

## Health

Medicines and supplements	\$	\$
Health insurance deductibles/co-pays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$

## Personal and Family

- Child care
- Child and/or spousal support
- Clothing and shoes
- Laundry service/dry cleaning
- Money given to family members
- Entertainment (movies, streaming services, magazines, etc.)
- Vacations
- Pets
- Memberships and subscriptions
- Other personal or family expenses

**Monthly**  
(current)

**Monthly**  
(goal)

\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	

## Other Expenses

- Credit card payments
- Student loan payments
- Other loans (furniture stores, appliances, HVAC systems, etc.)
- School costs (tuition, supplies, etc.)
- Non-monthly expenses (if annual ÷ by 12)
- Life insurance (monthly premiums paid for private policies)
- Gifts (estimated annual expenses ÷ 12)
- Other expenses (bank, credit card, ATM, and other fees)

\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	
\$		\$	

## TOTALS

- Income
- Savings and Investments
- Monthly Expenses
- Difference

\$		\$	
\$		\$	
\$		\$	
\$		\$	

*If your income is more than your expenses, you have money left to save or spend. If your expenses are more than your income, look for expenses to reduce or cut.*

# Debt-to-Income Ratio Worksheet

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

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

## Minimum Monthly Debt Payments

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

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

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

**Total**

### D/I Ratio

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

Less than 15%  
15% – 20%

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

21% – 30%

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

More than 30%

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



# Budgeting Tip Sheet

## 1. General Budgeting Guidelines:

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

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

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

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

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

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

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

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

# FINANCIAL WARNING SIGNS AND MILITARY RISK FACTORS


## Financial Problems?

Service members can sometimes face financial challenges due to their age and certain aspects of a military lifestyle. For instance, they tend to move away from home and their support system at a younger age than the general population. Additionally, deployments, frequent moves, the high cost of living at some military locations, and difficulties maintaining spouse employment can make things harder financially. Easy access to credit at a young age — without an understanding of how to manage it — can also factor into financial problems.

## Warning Signs and Consequences

Leaders and Service members could be at risk for financial problems if experiencing any of the issues below. A meeting with a Command Financial Specialist (CFS) or Personal Financial Manager (PFM) can help create a plan to address issues before things get out of hand.

### Warning Signs

- 
- Can't pay all bills
  - Can no longer afford vehicle(s)
  - Bouncing checks
  - Experiencing spouse job loss
  - Going through divorce / separation
  - Regularly runs out of money
  - Doesn't have an emergency fund
  - Has excessive debt
  - Facing foreclosure
  - Experiencing food insecurity
  - Not saving or investing

### Consequences

#### Financial

- Overdraft fees
- Credit denials
- Bad credit report
- Low credit score
- Repossession
- Foreclosure
- Bankruptcy

#### Military

- Negative evaluations
- Loss of promotion
- Loss of overseas transfer
- Loss of security clearance
- Reduction in rank
- Nonjudicial Punishment (NJP)
- Administrative discharge

## Where to Turn

Fortunately, resources are available to help improve personal financial management and overcome financial challenges:

- 1. Command Financial Specialist (CFS)** — A first-line-of-defense peer who's trained to meet you where you are and provide guidance to help you overcome financial issues.
- 2. Personal Financial Manager (PFM)** — A professional counselor/educator at your installation's Family Support Center who provides FREE, confidential financial counseling, education, information, and referrals.
- 3. Economic Security Toolkit** — A Military Leaders toolkit is available through Military OneSource. The toolkit helps leaders support Service members struggling with economic challenges such as increased housing costs, food insecurity and struggles with financial well-being. <https://www.militaryonesource.mil/leaders-service-providers/economic-security/>
- 4. Military Relief Societies** — These nonprofit organizations can provide financial and educational resources to Service members and eligible family members.

### Visit the links below for more information:



Navy-Marine Corps Relief Society: [www.nmcrs.org](http://www.nmcrs.org)

Air Force Aid Society: [www.afas.org](http://www.afas.org)

Army Emergency Relief: [www.aerhq.org](http://www.aerhq.org)

Coast Guard Mutual Assistance: [www.cgmahq.org](http://www.cgmahq.org)

# Debt Destroyer

## Welcome!

Welcome to the United States Navy Debt Destroyer Workshop! This course is designed to empower you and your family to get out – and stay out – of debt. You will learn proven techniques to overcome your high-interest rate consumer debt, make the most of the money you have coming in, and get on track to a more secure financial future.

As you work through the six-step program, know that you are not alone in this journey. The Personal Financial Managers (PFMs) and Command Financial Specialists (CFSs) on your installation are available to assist you.

Congratulations on taking this critical step! Your path to a better financial future starts today.

## Overview

The Debt Destroyer Workshop consists of six steps. Each step includes a video explanation and activities you will need to complete. The six steps are:

1. Stop the Bleeding
2. Build a Safety Net
3. Confront Your Debt
4. Know Your Cash Flow
5. Adjust Your Cash Flow
6. Pay It Down!

## Preparation

If you are attending this workshop in person, you should have been given the list below of items to bring with you to the course. If you are going through the course on your own, you will need to collect the following before beginning:

1. List of all creditors (include all loans, lines of credit and credit cards) with the following information:
  - a. Balance due
  - b. Due date
  - c. Minimum monthly payment
  - d. Annual percentage rate (APR)
2. Accurate details of your income and expenses. Reference your Leave and Earnings Statement (LES), other sources of income, mortgage/rent, utilities, groceries, entertainment, etc.
3. Microsoft Excel file for the Debt Destroyer Tool opened and ready to complete. Download this file for free at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

*The strategies presented in this Debt Destroyer Participant Guide are not intended to be or to provide financial, tax, investment or legal advice. They are only a general overview of the subject presented and are provided solely for your information. Applicable laws are complex, the penalties for non-compliance may be severe, and the applicable law of your state may differ. Consult your tax and legal advisers regarding your specific situation.*



## Understand Your Motivation

Two primary motivators tend to drive most people wanting to take control of their debt: The avoidance of pain or the achievement of something important. Viewed another way, negative emotions or positive emotions. Which better describes you? Is it both? Whatever your motivation, you'll have better odds of succeeding if you take a few minutes before diving into the work and really think about, then write down, your top drivers for wanting make this change.

My top three motivations for wanting to take control of my debt are:

1.

2.

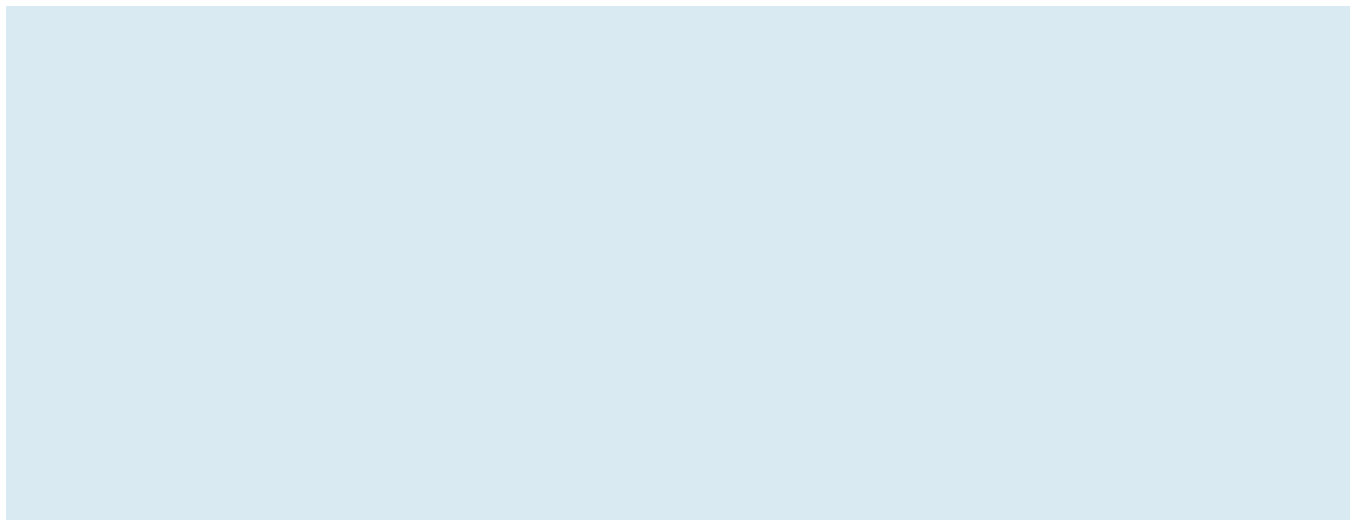
3.

Keep this list handy as you move through the six steps of the Debt Destroyer® Workshop and review it frequently as you work your plan. Once the real work starts, it will be important to regularly remind yourself *why* it's important for you to gain control of your debt.

## Imagine Your Future

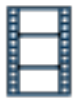
Getting control of your debt and becoming more financially secure usually takes a while and during the journey, it can be hard to stay the course if you don't have a clear image in your mind of where you're headed.

Take a few minutes right now to think about your future. Imagine how your life will change after taking action and putting in the work. What has changed? How are things different? Write down your vision of the future with no debt.



Now that you know your motivations and have a vision for your future, make a commitment to yourself and your family to put in the work and complete the steps of this workshop.

## Step 1: Stop the Bleeding



Watch the video for Step 1 then return here.

Key Points –

- **S**urvive this step by Evading, Resisting, and Escaping new debt.
- **E**vade new debt by paying with cash only.
- **R**esist the temptation to take on new debt by identifying and changing problematic behaviors.
- **E**scape late fees and penalties by making payments on time.

## Activity 1: SERE Training for Your Debt

Now it's time to put your **SERE** training into action. Reflect on the decisions and behaviors that led to your current debt situation. Then brainstorm strategies in the space below to “Stop the Bleeding” and commit to implementing at least one strategy per category.

### Evade

(Avoid taking on new debt)

### Resist

(Changing behaviors or circumstances)

### Escape

(Avoid new fees and charges)

#### Examples:

- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"><li>• Use only debit card and cash</li><li>• Set daily spending limits</li></ul> | <ul style="list-style-type: none"><li>• Delete shopping apps</li><li>• Avoid impulse purchases</li></ul> | <ul style="list-style-type: none"><li>• Set up automatic bill pay</li><li>• Make payment earlier in billing cycle to reduce average daily balance</li></ul> |
|--|--|---|

## One More Thing

The Resources section of this workbook contains helpful tips and practical strategies to aid every step of your Debt Destroyer journey.

Turn to page PW - 13 for information about how to request a free copy of your credit report and where to sign up for free credit monitoring.

## Step 2: Build a Safety Net



Watch the video for Step 2 then return here.

### Key Points –

- Build a safety net of \$1,000 to pay for emergencies.
- Understand a true emergency fund is typically 3 – 6 months of living expenses, but when getting out of debt \$1,000 will cover many financial setbacks.
- Do not borrow to build this cushion.

## Activity 2: \$1K Savings Sprint Strategies

If you don't already have one, it's time to get your emergency fund started! Come up with a plan to get at least \$1,000 in a savings account as quickly as possible. You will start putting these ideas into action at the conclusion of this workshop

Think about what you have available or what you can do to bring in extra money right now. List three things you will do to accumulate a \$1,000 safety net as soon as possible.

1.

2.

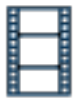
3.

## One More Thing

It would be great if everything goes according to plan and nothing unexpected happens while you're implementing your Debt Destroyer plan, unfortunately, that's just not realistic. Unexpected expenses will almost certainly pop up along the way. When they do, use your emergency fund to cover them, then rebuild your \$1,000 balance as quickly as possible, even if you need to redirect the extra money you would otherwise use to pay down debt to do it.

Need a little help getting started? Go to page PW - 14 in this workbook for some great Tips for Building an Emergency Fund.

### Step 3: Confront Your Debt



Watch the video for Step 3 then return here.

Key Points –

- Analyze and record the balance, minimum payment and interest rate of each of your debts.
- Strategize ways to minimize the cost of your debt. Speak with who you owe. Seek an interest rate reduction, explore a balance transfer, and research the Servicemembers Civil Relief Act.

### Activity 3: Debt Details Scavenger Hunt

Now it's time to get this mission organized. In this next activity, you will go on a scavenger hunt through the statements you gathered in preparation for this course to uncover the details of each of your debts and record them below. We will be using this information again in Step 6.

Creditor	Type	Current Balance	APR	Minimum Payment

A supplemental video, "How to Read My Credit Card Statement," is available at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

### One More Thing

Confronting your debt can be a little easier with help from the Resources section of this workbook. Review the information provided on pages PW - 15 to learn more about the Servicemembers Civil Relief Act, Tips for Minimizing the Cost of Debt, and strategies for Communicating with Creditors.



## Step 4: Know Your Cash Flow



Watch the video for Step 4 then return here.

### Key Points –

- Update or create your spending plan.
- Document all your inflows and outflows for the last 30 days.
- Reduce expenses and if possible, earn more.

## Activity 4: Start Your Spending Plan Worksheet

For this activity, please locate the Spending Plan Worksheet on page PW - 11 and PW - 12 in your workbook or in the Debt Destroyer Tool (Excel file) and complete the LEFT column.

Reference your most recent Leave and Earnings Statement (LES), pay stub (civilian employers), bank and credit card activity or statements to complete this exercise.

Once you complete the left column, check your results. If your Spending Plan Worksheet shows a monthly surplus, but your bank account does not confirm this result, go back, and review all your inputs.

### One More Thing

To help track future expenses, a handout entitled “Track Your Expenses” is available in the Resources section in the Resources section on page PW - 23.

Spending Plan Worksheet

Use this fillable worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

	Monthly (current)	Monthly (goal)
<b>Income</b>		
Service member's take-home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take-home pay (after taxes, benefits and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
<b>TOTAL MONTHLY TAKE HOME INCOME</b>	\$	\$
<b>Saving and Investing</b>		
Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
<b>TOTAL MONTHLY SAVINGS AND INVESTING</b>	\$	\$
<b>Housing</b>		
Monthly mortgage and property taxes (enter "0" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$
<b>Food</b>		
Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$
<b>Transportation</b>		
Vehicle loan/lease payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public transportation (rail, bus, etc.) parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$
<b>Health</b>		
Medicines and supplements	\$	\$
Health insurance deductibles/copays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$

Debt Destroyer Workshop | Participant Workbook | PW - 11

## Step 5: Adjust Your Cash Flow



Watch the video for Step 5 then return here.

### Key Points –

- Determine how much extra cash you'll need to pay down your debt
- Decide where that extra money is going to come from (make more or spend less)
- If cutting expenses is your plan, target variable expenses first

## Activity 5: Complete Your Spending Plan Worksheet

For this activity, please refer to the Spending Plan Worksheet and complete the RIGHT column, looking for places where you think you can reduce spending and free up money to put toward paying down your debt.

We will call this “new” money Debt Destroyer Dollars and refer to it in Step 6.

Once you complete the right column, review the spending categories with the largest values. Do these categories truly reflect your priority to pay down debt? If certain categories such as vehicle payments or housing are too large to allow for debt reduction, then changes to these expenditures may need to be considered.

## One More Thing

The Financial Educators at the Fleet and Family Support Center (FFSC) are available to help with a wide array of personal financial matters. For additional assistance on cash management and budgeting attend the Developing Your Spending Plan workshop offered through the FFSC.

Spending Plan Worksheet

Use this fillable worksheet to record your cash flow this month, then use the information to help you plan next month's cash flow.

	Monthly (current)	Monthly (goal)
<b>Income</b>		
Service member's take-home pay (after taxes, benefits and other deductions)	\$	\$
Spouse's take-home pay (after taxes, benefits and other deductions)	\$	\$
Other income (child support, second job, etc., after taxes)	\$	\$
<b>TOTAL MONTHLY TAKE HOME INCOME</b>	\$	\$
<b>Saving and Investing</b>		
Savings	\$	\$
Investments (IRA, other investment accounts)	\$	\$
<b>TOTAL MONTHLY SAVINGS AND INVESTING</b>	\$	\$
<b>Housing</b>		
Monthly mortgage and property taxes (enter "0" if renting)	\$	\$
Monthly rent payment (enter "0" if you only have a mortgage)	\$	\$
Renters insurance or homeowners insurance not included in mortgage	\$	\$
Utilities (electricity, gas, etc.)	\$	\$
Internet, cable and phones	\$	\$
Other housing expenses (pest control, lawn service, etc.)	\$	\$
<b>Food</b>		
Groceries and household supplies	\$	\$
Dining out	\$	\$
Other food expenses	\$	\$
<b>Transportation</b>		
Vehicle loan/lease payment(s)	\$	\$
Auto/motorcycle insurance	\$	\$
Auto/motorcycle fuel	\$	\$
Auto/motorcycle maintenance (1/12 of annual total)	\$	\$
Public transportation (rail, bus, etc.) parking, tolls, ride sharing	\$	\$
Other transportation expenses	\$	\$
<b>Health</b>		
Medicines and supplements	\$	\$
Health insurance deductibles/copays	\$	\$
Other health expenses (dental, glasses, contacts, etc.)	\$	\$

Debt Destroyer Workshop | Participant Workbook | PW - 11

## Step 6: Pay It Down!



Watch the video for Step 6 then return here.

Key Points –

- **Avalanche Method** prioritizes applying extra dollars to the highest interest rate debt first, while paying minimums on all others
- **Snowball Method** prioritizes applying extra dollars to the lowest balance debt first, while paying minimums on all others

## Activity 6: Use the Debt Destroyer Tool

Complete the Debt Destroyer Tool using the data you collected in Step 3 and Debt Destroyer Dollars you uncovered from Step 5.

After reviewing each strategy, select yours and complete the “My Plan of Action” section below.

DEBT DESTROYER						
Debt Obligations						
#	Creditor	Type	Balance	APR (%)	Payment	Exclude
1						<input type="checkbox"/>
2						<input type="checkbox"/>
3						<input type="checkbox"/>
4						<input type="checkbox"/>
5						<input type="checkbox"/>
6						<input type="checkbox"/>
7						<input type="checkbox"/>
8						<input type="checkbox"/>
9						<input type="checkbox"/>
10						<input type="checkbox"/>
11						<input type="checkbox"/>
12						<input type="checkbox"/>
13						<input type="checkbox"/>
14						<input type="checkbox"/>
15						<input type="checkbox"/>
16						<input type="checkbox"/>
17						<input type="checkbox"/>
18						<input type="checkbox"/>
19						<input type="checkbox"/>
20						<input type="checkbox"/>
TOTALS	N/A	\$	-	N/A	\$	-

Repayment Option Comparison				
Payment Method	Total Time	Total Amount	Time Saved	Amount Saved
Minimum Payment	0 Months	\$ -	N/A	N/A
Avalanche Method	0 Months	\$ -	0 Months	\$ -
Snowball Method	0 Months	\$ -	0 Months	\$ -

Debt Destroyer Dollars		
Payment Type	Date	Amount
Extra Payment (Monthly)	N/A	
One-Time Payment		
One-Time Payment		
One-Time Payment		

Repayment Methods	
<b>Avalanche Payment Schedule</b>	Pay minimum on each, then pay all extra toward the principal balance of the debt with the highest interest rate until all are paid.
<b>Snowball Payment Schedule</b>	Pay minimum on each, then pay all extra toward the principal balance of the debt with the smallest balance until all are paid.
<b>Minimum Balance Payment Schedule</b>	Pay minimum statement payment due on the each, with no roll over payments until all are paid.

Debt Destroyer Dollars can be a one-time payment (tax refund) or the money you “find” in Step 5 cutting expenses or increasing income).

A supplemental video, “Completing the Debt Destroyer Tool,” is available at: <https://finred.usalearning.gov/SPL/ServiceResources/NavyResource/DebtDestroyerWorkshop>.

## My Plan of Action

- My Debt Destroyer plan of action is the \_\_\_\_\_ method.
- The debt I will focus on first is \_\_\_\_\_.
- I plan to be debt free by \_\_\_\_\_.



# Tips for Minimizing the Cost of Debt

As the old saying goes, a penny saved is a penny earned. This is especially true when it comes to lowering the cost of your debt. Here are a few tips to help reduce the interest you pay every month:

- Ask your creditor(s) to lower your current interest rate.
- Take advantage of the Servicemembers Civil Relief Act to reduce the interest rate to 6% for any pre-service debt.
- Seek a balance transfer, which is when you move debt from a higher interest rate account to a lower interest rate account, typically, using a credit card. To help evaluate if this makes sense for you, ask about balance transfer fees, how long the introductory interest rate remains valid, and what the annual percentage rate will be after the introductory period ends.
- Shop for a consolidation loan to lower your interest rate. These loans can be unsecured, meaning there is no collateral tied to the repayment, or secured using collateral such as a paid off vehicle or home equity. A few precautions to consider with consolidation loans include:
  - The potential loss of SCRA benefits by consolidating pre-service debt into the loan
  - A potentially worse financial situation if the root cause for your debt has not been addressed
  - A possible repossession of a vehicle or foreclosure on your home if you default on repayment
- Evaluate a home equity loan or cash out refinance of your existing mortgage. Tapping into the equity in your home can be an excellent way to pay off high interest rate debt. However, the same precautions mentioned for consolidation loans apply here too.
- Take a loan against your Thrift Savings Plan (TSP) or employer sponsored retirement plan to pay off higher-interest rate debt.
  - Before considering this strategy, visit the FINRA website to learn about the pros and cons of taking a loan against your retirement plan.  
<https://www.finra.org/investors/learn-to-invest/types-investments/retirement/401k-investing/401k-loans-hardship-withdrawals-and-other-important-considerations>
  - To learn more about TSP, loans visit the TSP website at [www.tsp.gov](http://www.tsp.gov) and search the keyword "Loans."
- Make credit card payments earlier in the billing cycle to reduce your average daily balance. If you are carrying a balance on your credit card, avoid waiting until the due date to make a payment. An earlier payment will reduce your average daily balance and reduce the amount of accumulated interest due.

The strategies presented in this Debt Destroyer Participant Guide are not intended to be or to provide financial, tax, investment or legal advice. They are only a general overview of the subject presented and are provided solely for your information. Applicable laws are complex, the penalties for non-compliance may be severe, and the applicable law of your state may differ. Consult your tax and legal advisers regarding your specific situation.

# Debt Relief Services

If your financial problems stem from too much debt or your inability to repay your debts, a credit counseling agency may recommend that you enroll in a debt management plan (DMP). A DMP alone is not credit counseling, and DMPs are not for everyone. Don't sign up for one of these plans unless and until a certified credit counselor has spent time thoroughly reviewing your financial situation, and has offered you customized advice on managing your money. Even if a DMP is appropriate for you, a reputable credit counseling organization still can help you create a budget and teach you money management skills.

In a DMP, you deposit money each month with the credit counseling organization. It uses your deposits to pay your unsecured debts, like your credit card bills, student loans, and medical bills, according to a payment schedule the counselor develops with you and your creditors. Your creditors may agree to lower your interest rates or waive certain fees. But it's a good idea to check with all your creditors to be sure they offer the concessions that a credit counseling organization describes to you. A successful DMP requires you to make regular, timely payments; it could take 48 months or more to complete your DMP.

Ask the credit counselor to estimate how long it will take for you to complete the plan. You may have to agree not to apply for – or use – any additional credit while you're participating in the plan.

## **Debt Settlement Programs**

Debt settlement programs typically are offered by for-profit companies and involve them negotiating with your creditors to allow you to pay a "settlement" to resolve your debt – a lump sum that is less than the full amount that you owe. To make that lump sum payment, the program asks that you set aside a specific amount of money every month in savings. Debt settlement companies usually ask that you transfer this amount every month into an escrow-like account to accumulate enough savings to pay off any settlement that is eventually reached. Further, these programs often encourage or instruct their clients to stop making any monthly payments to their creditors.



## **Debt Settlement Has Risks**

Although a debt settlement company may be able to settle one or more of your debts, there are risks associated with these programs to consider before enrolling:

1. These programs often require that you deposit money in a special savings account for 36 months or more before all your debts will be settled. Many people have trouble making these payments long enough to get all (or even some) of their debts settled, and end up dropping out the programs as a result. Before you sign up for a debt settlement program, review your budget carefully to make sure you are financially capable of setting aside the required monthly amounts for the full length of the program.
2. Your creditors have no obligation to agree to negotiate a settlement of the amount you owe. So, there is a possibility that your debt settlement company will not be able to settle some of your debts – even if you set aside the monthly amounts required by the program. Also, debt settlement companies often try to negotiate smaller debts first, leaving interest and fees on large debts to continue to mount.
3. Because debt settlement programs often ask or encourage you to stop sending payments directly to your creditors, they may have a negative impact on your credit report and other serious consequences. For example, your debts may continue to accrue late fees and penalties that can put you further in the hole. You also may get calls from your creditors or debt collectors requesting repayment. You could even be sued for repayment. In some instances, when creditors win a lawsuit, they have the right to garnish your wages or put a lien on your home.

## **Debt Settlement and Debt Elimination Scams**

Some companies offering debt settlement programs may not deliver on their promises, like their “guarantees” to settle all your credit card debts for 30% to 60% of the amount you owe. Other companies may try to collect their fees from you before they settle any of your debts.

The FTC’s Telemarketing Sales Rule prohibits companies that sell debt settlement and other debt relief services on the phone from charging a fee before they settle or reduce your debt. Some companies may not explain the risks associated with their programs, including that many (or most) of their clients drop out without settling their debts, that their clients’ credit reports may suffer, or that debt collectors may continue to call them.

Before you enroll in a debt settlement program, do your homework. You’re making a big decision that involves spending a lot of your money that could go toward paying down your debt. Enter the name of the company with the word “complaints” into a search engine. Read what others have said about the companies you’re considering, including whether they are involved in a lawsuit with any state or federal regulators for engaging in deceptive or unfair practices.

## **Fees**

If you do business with a debt settlement company, you may have to put money in a dedicated bank account, which will be administered by an independent third party. The funds are yours and you are entitled to the interest that accrues. The account administrator may charge you a reasonable fee for account maintenance, and is responsible for transferring funds from your account to pay your creditors and the debt settlement company when settlements occur.

## Disclosure Requirements

Before you sign up for the service, the debt relief company must give you information about the program:

- **Price and terms.** The company must explain its fees and conditions on its services.
- **Results.** The company must tell you how long it will take to get results – how many months or years before it will make an offer to each creditor for a settlement.
- **Offers.** The company must tell you how much money or what percentage of each outstanding debt you must save before it will make an offer to each creditor on your behalf.
- **Nonpayment.** If the company asks you to stop making payments to your creditors – or if the program relies on your not making payments – it must tell you about the possible negative consequences of your action.

The debt relief company also must tell you:

- that the funds are yours and you are entitled to the interest earned;
- the account administrator is not affiliated with the debt relief provider and doesn't get referral fees; and
- that you may withdraw your money at any time without penalty.

For more information about the tax consequences of debt relief services and personal bankruptcy options, visit the Federal Trade Commission website at ***consumer.ftc.gov***.

# Track Your 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:		Take-Home Pay: \$ _____ Amount Spent: \$ _____ Balance: \$ _____ (+ or -)	
Item:	Amount:	Item:	Amount:	Item:	Amount:		

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:		Take-Home Pay: \$ _____ Amount Spent: \$ _____ Balance: \$ _____ (+ or -)	
Item:	Amount:	Item:	Amount:	Item:	Amount:		

# Debt Destroyer<sup>®</sup> Tool

The screenshot displays the Debt Destroyer Tool interface with the following components:

- 1 Debt Obligations:** A table with columns: Creditor, Type, Balance, APR (%), Payment, Exclude. It includes a 'TOTALS' row at the bottom.
- 2 Repayment Option Comparison:** A table comparing Minimum Payment, Avalanche Method, and Snowball Method across Total Time, Total Amount, Time Saved, and Amount Saved.
- 3 Repayment Option Comparison Chart:** A line graph showing Total Amount (green) and Total Time (red) for Minimum Payment, Avalanche Method, and Snowball Method across various payment amounts from \$5 to \$90.
- 4 Debt Destroyer Dollars:** A table for entering extra payments with columns: Payment Type, Date, Amount.
- 5 Repayment Methods:** A section describing three strategies: Avalanche Payment Schedule, Snowball Payment Schedule, and Minimum Balance Payment Schedule.
- 6, 7, 8, 9:** A navigation bar at the bottom with tabs for Debt Destroyer, Avalanche, Snowball, and Minimum Balance.

1. **Debt Obligations:** You will enter your information from Step 3 in this section. Remember to account for every debt.
2. **Repayment Option Comparison:** A breakdown of the specifics of each strategy including the time it will take, the amount you will spend, and total savings.
3. **Repayment Option Comparison Chart:** Information from section 2 displayed as a visual graph.
4. **Debt Destroyer Dollars:** You will enter the Debt Destroyer dollars you identified in your Spending Plan Worksheet in this section.
5. **Repayment Methods:** A brief synopsis of each repayment strategy.
6. **Debt Destroyer Tab:** You will enter all of your data here. This is the only tab where data entry occurs.
7. **Avalanche Workbook Tab:** Calculations and implementation steps for the Avalanche strategy.
8. **Snowball Workbook:** Calculations and implementation steps for the Snowball strategy.
9. **Minimum Balance Payment Schedule:** Calculations for the Minimum Payment strategy.

# Chapter 3:

## Consumer Awareness

Americans live in the most marketed-to society in the world. Corporations spend billions of dollars on sophisticated advertising each year because it is successful in increasing their profits. To ensure consumers make sound choices and execute power over their purchasing decisions, it is critical that they be aware of and prepared for certain marketing tactics.

# SOURCES OF HELP FOR MILITARY CONSUMERS

## Consumer Complaints

Dealing with a defective product or poor customer service can be frustrating and costly. When this happens, you may decide to make a complaint. To complain effectively, start by determining what you want to achieve and be prepared to validate your complaint with all purchase-related paperwork including copies of receipts, estimates, repair orders, warranties, bank statements, and any correspondence from the company. If you have an issue:

1. Contact the business. Start with the salesperson you dealt with or the manager. Clearly and calmly describe the problem and the action you would like them to take. Document their response or correspondence in writing.
2. Contact the company president or a representative of the manufacturer. Use the *Sample Complaint Letter* below as a guide and send your letter by certified mail, return receipt requested.
3. Contact industry trade associations.
4. Contact local and state consumer advocates. Use the resource list on the next page for consumer protection contacts.

See your *Command Financial Specialists (CFS)* or *Personal Financial Manager (PFM)* for guidance.



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.**

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 product with serial or model number or service performed) at (location 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 part does not work properly, the service was not performed correctly, I was billed the wrong amount, something was not disclosed clearly or misrepresented, etc.).


To resolve the problem, I would appreciate (state the specific action you want – money back, a refund of my purchase, you repair my item, an exchange for working item, 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 of my problem within [x] days.


Sincerely,  
(Your Name)

Enclosure(s)

# GET YOUR NAME OFF SOLICITATION LISTS

Type of Solicitation	Contact	Other Information
 <b>Phone calls</b>	National Do Not Call Registry <b>donotcall.gov</b> or <b>1-888-382-1222</b>	You can file a complaint about telemarketing calls after your number has been on the list for 31 days.
<b>Junk mail and email</b>	Direct Marketing Association <b>DMAchoice.org</b>	Included at this site, for a nominal fee: <ul style="list-style-type: none"> <li>• Credit offers</li> <li>• Magazine offers</li> <li>• Email preference service</li> <li>• Catalogs</li> <li>• Other mail offers</li> </ul>
<b>Credit or insurance offers</b>	<b>optoutprescreen.com</b>	The official credit reporting industry website to accept and process requests from consumers to opt in or out of credit and insurance offers.

## How to File a Complaint About a Sales Call

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

- Federal Trade Commission: **ftccomplaintassistant.gov**
- Federal Communications Commission: **fcc.gov/complaints** or **1-888-225-5322**
- National Do Not Call Registry: **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.
- 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.

## Practice Online Safety

- Protect your personal information online.
- Know whom 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 (WiFi).
- Lock and password-protect your laptop, tablet, smartphone and mobile devices.

## Websites for Consumers

### Consumer Protection

- Better Business Bureau: **bbb.org**
- Consumer Financial Protection Bureau: **consumerfinance.gov**
- Consumer safety tips: **consumer.gov**
- Consumer Reports: **consumerreports.org**
- Federal Trade Commission: **ftc.gov**
- Free annual credit reports: **annualcreditreport.com**
- Internet Crime Complaint Center: **ic3.gov**
- Military OneSource: **militaryonesource.mil**
- National Association of Attorneys General: **naag.org**
- National Consumers League: **nclnet.org**
- National Consumers League Fraud Center: **fraud.org**
- National Legal Aid & Defender Association: **nlada.org**

### Financial Information and Counseling

- Consumer credit counseling: **nfcc.org**

### Predatory Lending

- Center for Responsible Lending: **responsiblelending.org**
- Payday Loan consumer information: **paydayloaninfo.org**

### Relief Societies

- Navy-Marine Corps Relief Society: **nmcrs.org**
- Coast Guard Mutual Assistance: **cgmahq.org**
- Army Emergency Relief: **aerhq.org**

## Protect Your Credit

Check each of your three major credit reports at **annualcreditreport.com**. Service members can request free credit monitoring services, under certain conditions, from each of the nationwide credit reporting agencies.

- Equifax: **equifax.com/personalcredit-report-services**
- Experian: **experian.com/help**
- TransUnion: **transunion.com/credit-help**



# SCRA Simplified

This handout provides a basic overview of the provisions of the Servicemembers Civil Relief Act. For full text and a comprehensive discussion of the act, visit <https://www.justice.gov/servicemembers>. For guidance and answers related to your specific situation, contact your base legal office (locator at: <https://www.jag.navy.mil>).

## What Is It?

The SCRA is a law designed to ease or eliminate certain financial burdens on Service members that might arise because of military service.

### Potential Service member benefits offered under the act:

- 6% interest rate caps on pre-Service debts
- Ability to terminate certain:
  - Vehicle leases
  - Residential leases
  - Mobile phone contracts
- Eviction protection
- Foreclosure protection
- Repossession protection
- Court proceeding deferrals
- Insurance protection
- Income tax deferrals
- State income tax options
- Certain other matters

## Who Is Covered?

01

Active-duty  
Service members

02

Reservists on  
federal active duty

03

Service member  
dependents  
(in some situations)

04

Co-signers or  
those who took out  
loans with a  
Service member  
(in some situations)

---

**Some protections extend for a limited time beyond active-duty discharge or release and are tied to the discharge or release date.**

---

## Additional Details

The protections under SCRA can sometimes be complicated so Sailors are encouraged to seek the assistance of their base legal office for any SCRA-related matters.



### 6% Interest Rate

Service members can request a 6% interest rate cap on any debts incurred before military service (credit cards, loans, mortgages, etc.) for the duration of the Service member's military obligation and one year thereafter for mortgages. This applies to individual debts of the Service member as well as those incurred jointly with his or her spouse.



### Vehicle Leases

Service members entering active military service of at least 180 days can terminate vehicle leases that were executed prior to going on active duty. Vehicle leases executed after beginning military service can be terminated upon receipt of certain PCS orders involving locations outside the continental United States or deployment orders of at least 180 days. Joint leases with the Service member's spouse or dependents are also covered.



### Residential Leases

Service members entering active military service can terminate residential leases that were executed before going on active duty. Residential leases executed after beginning military service can be terminated upon receipt of PCS orders or deployment orders of at least 90 days. Joint leases with the Service member and his or her spouse or dependents are also covered.



### Mobile Phone Contracts

Service members can cancel mobile phone contracts after receiving orders to relocate for a period of at least 90 days to a location that does not support the contract.



### Eviction from Housing

Service members and their families cannot be evicted for nonpayment of rent without a court order while on active duty, provided the rent is below a certain amount. Eviction can still occur if ordered by the court.



### Foreclosure And Repossession Protection

Active Service members are protected from foreclosure and repossession under certain circumstances, including the common requirement that lenders must obtain a court order before taking such actions.



### Court Proceedings

If a Service member is a defendant in a civil court proceeding, the court may grant a delay if he or she is deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings, and administrative proceedings.



### Residence for State Taxes

Under certain circumstances, the SCRA prohibits states from taxing Service members and their spouses solely due to their presence in a state because of compliance with military orders. This means if a Service member and his or her spouse are residents of another state, they may not be required to pay certain taxes in the state in which they are stationed.

# Five Key Provisions of the SCRA

## SEC. 3937: The 6% Interest Rate Cap

- The SCRA limits the amount of interest that may be charged on certain obligations, such as credit cards, vehicle loans, and mortgages, that were incurred prior to military service to no more than 6% per year, including most fees. 50 U.S.C. §§ 3937(a)(1). & (d)(1)
- In order to receive this interest rate cap, a Service member shall provide the creditor with a written notice and either a copy of his or her military orders, or “any other appropriate indicator of military service, including a certified letter from a commanding officer.” 50 U.S.C. §§ 3937(b)(1)(A).
- These documents must be provided to the creditor within 180 days of the end of the Service member’s military service, 50 U.S.C. § 3937(b)(1)(A), and once a creditor receives them, the creditor must forgive, not defer, interest at a rate greater than 6% per year. Id. at § 3937(a)(2).
- The creditor must forgive this interest retroactively and is prohibited from accelerating the payment of principal. 50 U.S.C. §§ 3937(a)(1) & (b)(2).
- For mortgagees, interest is capped at 6% during the entire period of military service and for one year after the period of military service. 50 U.S.C. §§ 3937(a)(1)(A). For all other obligations, interest is capped at 6% only for the duration of the period of military service. Id. at § 3937(a)(1)(B).
- A creditor may independently verify the active-duty military status of borrowers with the Defense Manpower Data Center and rely on that information if the Service member has not provided contradictory proof of military service. 50 U.S.C. § 3937(b)(1)(B).

## SEC. 3955: Residential and Vehicle Leases

- Service members may terminate residential or vehicle leases acquired prior to military service at any time after the Service member’s entry into military service; or if the leases are acquired while in military service, after the date of the Service member’s military unit, or as an individual in support of a military operation, for a period of not less than 90 days. 50 U.S.C. §§ 3955(a) & (b).
- To terminate a lease, a Service member must submit a written notice and a copy of his or her military orders – or a letter from a commanding officer – to the lessor or lessor’s agent. 50 U.S.C. § 3955(c).
- If a Service member pays rent on a monthly basis, once he or she gives proper notice and a copy of his or her military orders, then the lease will terminate 30 days after the next rent payment is due. 50 U.S.C. § 3955(d)(1).
- In the case of a lease of a motor vehicle, the Service member must return the motor vehicle to the lessor or the lessor’s agent, not later than 15 days after the date of the delivery of written notice. 50 U.S.C. § 3955(c).

## Foreclosures: SEC. 3953 & 3931

- Foreclosures can proceed in one of two ways, either judicially (through a court process), or non-judicially (without a court’s involvement).
- The SCRA treats the two types of foreclosure proceedings very differently, and states typically dictate which way foreclosures will proceed within their borders. 50 U.S.C. §§ 3931, 32 & 53.

## SEC. 3953: Non-Judicial Foreclosures

- During a period of military service, and for one year after a period of military service, a creditor must get a court order prior to foreclosing on a Service member’s mortgage. 50 U.S.C. §§ 3953(a) & (c).
- The mortgage at issue must have been taken out by a Service member prior to entering military service in order for this protection to be applicable. 50 U.S.C. § 3953(a)(1).
- Courts have the ability, and a duty in certain instances, to postpone a non-judicial foreclosure proceeding. 50 U.S.C. § 3953(b).

## SEC. 3931: Default Judgments

- In any civil court proceeding, including a judicial foreclosure proceeding, in which the defendant Service member does not make an appearance, a plaintiff creditor must file an affidavit with the court stating one of three things: (1) that the defendant is in the military service; (2) that the defendant is not in military service; or (3) that the creditor is unable to determine whether or not the defendant is in military service after making a good faith effort to determine the defendant’s military service status. 50 U.S.C. § 3931(b)(1).
- Where the defendant is not made an appearance and it seems that he or she is in military service, a court may not enter a default judgment until after it appoints an attorney to represent the interests of that defendant. 50 U.S.C. § 3931(b)(2).
- The court must postpone a civil court proceeding for at least 90 days if that appointed attorney has been unable to contact the defendant Service member, or if there may be a defense to the action that requires that the defendant be present. 50 U.S.C. § 3931(d).

## SEC. 3952: Repossessions

- A creditor may not repossess a vehicle during a borrower’s period of military service without a court order, as long as, before entering military service, the Service member borrower either: (1) placed a deposit for the vehicle; or (2) made at least one installment on the contract. 50 U.S.C. § 3953.

### CONTACT INFORMATION

2002-307-SCRA (7272)  
servicemembers@usdoj.gov



# Sample SCRA Letter

## Instructions

- (1) Meet with a licensed attorney at an armed-service Legal Assistance office to discuss your specific situation.
- (2) Obtain a copy of your orders to active duty.
- (3) Replace the bolded portions in the template with the applicable information.
- (4) Print and sign the letter.
- (5) Attach a copy of your orders to active duty.
- (6) Make at least one (1) copy of the letter with all attachments to keep for your own records.
- (7) Send the original letter via certified mail, return receipt requested.
- (8) Retain any written response from the creditor for your own records.
- (9) Follow up with a licensed attorney at an armed-service Legal Assistance office to address any concerns.

**Date**

**Rank and Full Name**

**Street Address**

**City, State ZIP Code**

**Creditor's Name**

**Street Address**

**City, State ZIP Code**

RE: **Rank and Full Name's** Financial Obligation – **Account No. #####**

Dear **Sir or Ma'am**:

Pursuant to the Servicemembers Civil Relief Act ("SCRA") 50 U.S.C. App. Section 527, this letter is my formal written request to reduce the rate of interest to six percent (6.0%) for the above referenced account.

I am currently serving on active duty with the **Branch of Armed Forces**. I entered active duty on **Date**, which was after the time I incurred the above referenced debt. The SCRA establishes a six percent (6.0%) per annum ceiling on interest during the period of a Service member's military service. This reduced rate became effective upon my entry to active duty on **Date**, and shall be applied retroactively to date of entry to active duty.

Under the SCRA, any interest in excess of 6.0% per year shall be forgiven. Additionally, any payments shall be reduced by the amount of interest forgiven which is allocable to the period of such payment.

Please find the attached copy of **My Orders to Active Duty**.

If you have any questions or concerns, you may contact me at the above address, or my commanding officer's address on the attached letter.

Respectfully Submitted,

---

**Rank and Full Name**

Attachment:

**Orders to Active Duty**

**SOURCE of Example SCRA Letter:**

<https://www.29palms.marines.mil/Portals/56/Docs/SJA/SCRA%20-%20Letter%20for%20Reduced%20Rate%20of%20Interest.pdf>

# **Chapter 4:**

## **Insurance: Protecting Wealth**

**It is never pleasant to think about the possibility of negative events like these occurring in your life. Avoiding the topic of insurance altogether will not prevent bad things from happening - however preparing for unanticipated events can give you tremendous peace of mind. You cannot build wealth in a meaningful way without a plan to protect it.**

# Life-Cycle Approach to Insurance Needs

Insurance planning begins with an assessment of your needs. If nothing changes, leave your plan alone. But with major life events, reconsider your plan.

## SINGLE IN QUARTERS

*"I don't need any insurance. I live in government quarters. I don't even have a car."*

**Renters policy** – Still necessary to cover your possessions.

**Life insurance** – Only if someone depends on your income; otherwise, consider a small amount to cover final expenses. SGLI is enough.

## MOVING OFF BASE

*"I commute to work with a friend and I am just buying some furniture on credit. Since I don't have much, I don't need insurance to cover it."*

**Renters policy** – Necessary to replace your possessions, including those you are paying off.

## BUYING A CAR

*"I am buying a car with a big monthly payment, there's no way I can afford insurance. I'll just take my chances."*

**Auto insurance** – Required for on-base driving. Required by state law at set minimums.

- Liability coverage pays for others' losses if you are responsible.
- Collision and comprehensive coverage.
- Uninsured/underinsured motorist coverage.
- Medical payments.

## GETTING MARRIED

*"Wow, this is such a big step, with so many things to consider. I don't want to think about those negative things right now."*

**Life insurance** – If someone depends on your income, review your plan and determine your needs. FSGLI offers inexpensive spousal coverage.

**Health insurance** – Use the TRICARE system at low or no cost. Consider supplemental policy if far away from a medical treatment facility or if there are special health needs. Sign up for DEERS and add to Page 2.

**Dental** – Remember to sign your new family member up for the Dental Health Program.

**Auto** – Review and adjust as necessary.

**Renters policy** – Review and adjust as necessary.

## HAVING CHILDREN

*"I have a baby now. I'm supposed to be responsible, but I don't even know where to begin."*

**Life insurance** – Needs will increase now due to the long-term financial responsibilities of raising a child. In addition, insure the other parent. FSGLI is available up to \$100,000. Children under 18 get \$10,000 automatic coverage under FSGLI.

**Health** – Add child to DEERS and Page 2.

**Dental** – Wait until the child has teeth and/or needs to begin care; first visit around age 2-3 years.

**Auto** – Review and adjust as necessary.

**Renters policy** – Review and adjust as necessary.

## BUYING A HOME/CONDO/MOBILE HOME

*“I’ve just made the biggest purchase of my life. Now I want to protect my investment and find a way to pay off this debt if something happens to me.”*

**Homeowners insurance** – Required by your lender and needed to cover the real property and your personal possessions. It also includes liability coverage for someone injured on your property.

**Life insurance** – Needs increase at this time due to the mortgage you are carrying. If you want to be able to pay it off, then you must carry enough insurance to do so.

## INCREASING ASSETS

*“I am finally starting to accumulate some possessions and put money aside in investments. Now I worry about how to protect these assets from a lawsuit.”*

**Umbrella policy** – Wide coverage for minimal costs. This is in addition to homeowners and auto insurance. It covers you above the limits of these policies for your liability in a lawsuit.

**Long-term care** – Coverage for nursing/in-home care later in life.

**Homeowners**– Review and adjust as necessary.

**Auto** – Review and adjust as necessary.

**Life** – Review and adjust as necessary.

## DIVORCE

*“My spouse said she would continue to cover me on the auto insurance policy, but now it’s been canceled. What should I do?”*

Divorce can happen anytime in the life cycle. Review all policies and adjust as necessary. Put policies in your own name.

**Life insurance** – Reconsider your needs and whom you list as your beneficiary.

## RETIREMENT/SEPARATION

*“I am getting out of the military in a few months. Will my insurance needs change?”*

You have been provided many benefits at low or no cost which you now must cover yourself.

**Life insurance** – Increase your policy to cover the loss of SGLI or consider VGLI (Veterans Group Life Insurance).

**Health/Dental** – Shop for a policy if not provided by your next employer. Personal health policies can be very expensive. Even if you are eligible for Medicare or Medicaid, you may need a supplemental policy.

**Disability** – You may be provided coverage by your employer; otherwise, you should look for a policy to replace a portion of your income should you be injured or become ill.

**Auto** – Review and adjust as necessary.

## DEATH

*“My spouse just passed away. What can I expect financially?”*

### Active-duty members

- Death gratuity: \$100,000 paid within 36 hours
- SGLI: Up to \$400,000
- Dependency and indemnity compensation
- Accumulated leave and/or arrears in pay
- Burial
- Travel or funeral
- 12 months’ BAH or time in quarters
- Final household goods shipment
- Survivor Benefit Plan (SBP) Automatic
- Social Security survivor benefits
- Veterans Affairs education

### Out of military:

- Benefits will depend on the policies you have put in place

### Retirees:

- SBP, if elected
- Social Security
- Burial
- Homeowners – Review and adjust as necessary.



# Organizing Your Records

## INFORMATION TO KEEP:

1. For each individual life insurance policy, record the following information:
  - The full name of the life insurance company that issued the policy.
  - The city and state of the home office of the company that issued the policy.
  - The name and U.S. headquarters of the group, if the issuing company belongs to a group of companies.
  - The policy number.
  - The date the policy was issued.
  - The amount of the death benefit.
  - The name and address of the agent/broker who sold you the policy.
  - The type of policy (e.g., term, whole life).
  - The location of the original life insurance policy.
2. For each employer-provided or group (e.g., trade association) insurance benefit, record the following information:
  - The name of the employer or group that sponsors the insurance.
  - The office or person to contact when it is time to file a claim.
  - The certificate number (comparable to the policy number under an individual policy).
  - The date the insurance was started.
  - The amount of the death benefit.
3. For death benefits that are features of annuities, workers' compensation programs, disability insurance, travel accident insurance, etc., record the following information:
  - The type of policy that has a death benefit as part of its features.
  - The full name of the life insurance company that issued the policy.
  - The city and state of the home office of the company that issued the policy.
  - The policy number.
  - The date the policy was issued.
  - The amount of the death benefit.
  - The name and address of the agent/broker who sold you the policy.
  - The location of the original insurance policy.
4. For each life insurance benefit dedicated to paying off a loan (credit cards, etc.), record the following information:
  - The full name of the lending institution through which you obtained the life insurance.
  - The loan number and issue date of the loan.
  - The name of the person or office to contact when it is time to file a claim.
  - The policy number of the life insurance policy that pays off the loan.

## WHERE TO KEEP THE INFORMATION:

Keep one set of these records in your home, in a place where others who need this information are likely to find it. After placing the information there, make your family/loved ones aware of its location. This could be the same place you keep other financial records, legal papers or anywhere your survivors are likely to look for them. Keep another set of these records off site – that is, outside your home, perhaps in a safe deposit box or with a trusted relative or professional who can produce the documents when needed. On each page, record the date on which the information was last updated.





# Shopping Tips for Insurance

## SAVE MONEY ON AUTO INSURANCE

- Compare prices. Get at least three quotes.
- Use the auto-insurance buyer's guide.
- Don't buy collision and comprehensive insurance from the lender.
- Buy a car that is inexpensive to repair.
- Raise the deductibles (but have money in savings).
- Have sufficient liability coverage.
- Consider dropping collision insurance on older cars.
- Take advantage of discounts: good driver, safe vehicle, good student, low mileage, occupational, Internet.
- Describe exactly how your car is used.
- Notify the insurer about changes that could lower rates.
- Pay the entire premium when it is due.
- Share your car with a teenage child (insurance for a car they own is more expensive).
- Drive safely.
- Check with the Insurance Institute for Highway Safety for vehicle ratings.
- Multi-policy insurance: buy all policies from the same company.

## TIPS TO REMEMBER

- Purchase insurance to cover catastrophic losses, not small losses.
- Generally, one comprehensive policy is better than a number of smaller ones.
- Always shop for a policy which is guaranteed renew-able and non-cancelable.
- Never drop essential coverage until another policy is in force.
- Purchase insurance from a financially strong company.

## SAVE MONEY ON HOMEOWNERS INSURANCE

- Compare prices. Get at least three quotes.
- Buy all your property and casualty insurance from the same company.
- Install deadbolt locks, smoke detectors, a fire extinguisher and burglar alarms.
- Pay annually.
- Raise the deductible.
- Quit smoking.
- Buy replacement-cost coverage. Have sufficient liability coverage. Buy a recently built house.
- Don't over-insure (don't include price of the land your house is on).

# SURVIVOR BENEFITS OVERVIEW

## Introduction

The Department of Defense (DoD) and the Department of Veterans Affairs (VA), along with other agencies, provide comprehensive assistance and support to the survivors of fallen Service members and veterans.

This handout provides a brief overview of the most common survivor benefits available to family members.

## Casualty Assistance

A Casualty Assistance Officer is assigned to help survivors understand and receive benefits and entitlements, and assist with the coordination of burial arrangements. Dependents are also provided with long-term casualty assistance which includes financial and grief counseling.

## Financial Assistance and Benefits

Survivors may be eligible for a number of entitlements and benefits.

### Military Benefits

- **Death Gratuity** — The death gratuity is a lump-sum tax-exempt payment of \$100,000 made by the military to beneficiaries designated by the Service member.
- **Online Survivor Benefits Report** — Surviving family should be provided with an initial survivor benefits report by the Casualty Assistance Officer, who will coordinate providing a military self-service logon that will provide access to an interactive online survivor benefits report.
- **Burial Benefits** — The military will care for, transport and bury eligible Service members, as well as provide travel entitlements for eligible survivors.
- **Survivor Benefit Plan (SBP)** — Surviving spouses or children of Service members who die in the line of duty while on active duty may be entitled to SBP payments. The automatic monthly SBP death benefit is provided at no cost, as Service members do not pay into this benefit when on active duty. Retirees, however, pay for SBP if elected before retirement.

### Department of Veterans Affairs Benefits

- **Dependency and Indemnity Compensation (DIC)** — This compensation is paid to eligible survivors of active-duty Service members and survivors of those veterans whose deaths are determined by the Department of Veterans Affairs to be service-related. It is a flat monthly payment, independent of the pay grade of the veteran. This payment is adjusted annually for cost-of-living increases and is non-taxable. The VA also adds a transitional benefit to the surviving spouse's monthly DIC if there are children under age 18.
- **Special Survivor Indemnity Allowance (SSIA)** — Surviving spouses whose SBP payments have been offset (partially or totally) as a result of receiving DIC are eligible for the Special Survivor Indemnity Allowance.
- **Parents' Dependency and Indemnity Allowance** — The surviving parent(s) of a Service member who died in the line of duty or of a veteran whose death resulted from a service-related injury or illness may be eligible to receive Parents' Dependency and Indemnity Compensation. Parents' DIC is tax-free income.
- **Servicemembers' Group Life Insurance (SGLI)** — Servicemembers' Group Life Insurance is a program of low-cost group life insurance for Service members on active duty, ready Reserve members, members of the Reserves, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies and members of the Reserve Officer Training Corps. The maximum amount of SGLI coverage is \$400,000.

- **Family Servicemembers' Group Life Insurance (FSGLI)** — Family Servicemembers' Group Life Insurance offers coverage for the spouse and dependent children of Service members covered under full-time SGLI. Coverage is automatic, except in the case of a Service member married to another Service member on or after Jan. 2, 2013, which requires the couple to complete appropriate forms to opt into the program. FSGLI provides up to a maximum of \$100,000 of insurance coverage for a spouse, not to exceed the amount of SGLI coverage the insured member has in force. FSGLI also provides \$10,000 for each dependent child.
- **Servicemembers' Group Life Insurance Traumatic Injury (TSGLI)** — Traumatic injury protection under Servicemembers' Group Life Insurance provides financial assistance to Service members who have incurred certain physical losses due to traumatic injuries. Benefits range from \$25,000 to \$100,000 depending on the nature of the loss. All Service members who are insured in the SGLI program are automatically covered by TSGLI.
- **Beneficiary Financial Counseling Session** — Financial counseling services are offered to beneficiaries of SGLI, FSGLI and TSGLI.
- **VA Home Loans** — Surviving spouses who have not remarried may be eligible for a VA home loan guaranty.
- **Bereavement Counseling** — The VA Office of Readjustment Counseling offers bereavement counseling to families of Service members who die on active duty.
- **Educational Benefits** — The VA offers a number of education benefits for family members who have lost a Service member. For general information about these benefits, visit [benefits.va.gov/gibill/](https://benefits.va.gov/gibill/).

## Social Security Administration

Monthly Social Security payments are paid to a spouse or a divorced spouse with children of the deceased Service member under the age of 16, or disabled children in their care who meet the eligibility requirements. Monthly payments are also paid to children under the age of 18, or 19 if they are full-time students, or older children who were disabled before the age of 18. The amount paid will be determined by the Social Security Administration. Social Security benefits may be paid to the surviving spouse living with the member at the time of death. For more information, visit [ssa.gov](https://ssa.gov).

## Ongoing Military Benefits

Surviving dependents may be eligible to receive access to the following ongoing benefits:

- DoD Domestic Dependent Elementary and Secondary Schools
- TRICARE Health Care Benefit
- TRICARE Dental Program Survivor Benefit
- Housing and allowances
- Commissary and Exchange privileges
- Legal assistance
- ID card
- Posthumous citizenship
- Tax forgiveness
- Contributions of Military Death Gratuities to Roth IRAs and/or Coverdell Educational Savings Accounts

## Additional Resources:



For more information on these ongoing benefits, please visit [militaryonesource.mil](https://militaryonesource.mil) and search Survivor & Casualty Assistance, or contact a Personal Financial Manager or Counselor on your installation.

## Special Preference Programs for Employment

Widows, widowers and mothers of veterans may be able to take advantage of special preference programs when seeking employment with the federal government. These programs do not guarantee a job but do give a qualified candidate entry to the applicant pool. These programs include:

- Family Member Derived Preference
- Military Spouse Appointing Authority (Executive Order 13473)

## Other Programs

Additional programs are available to surviving family members, including:

### **State Benefits:**

To learn about survivor benefits in your state, visit your state's VA office by using the State Veterans Affairs Offices locator at [va.gov/statedva](http://va.gov/statedva).

### **Military Spouse Preference:**

This program offers a preference for military spouses for certain DoD civilian positions.

To learn more, visit:

- Your nearest DoD personnel office or,
- The Defense Civilian Personnel Advisory Service website at [dcpas.osd.mil](http://dcpas.osd.mil) and search "Military Spouse Preference Program" or,
- [www.dcpas.osd.mil/Content/Documents/PPP-Program%20S.pdf](http://www.dcpas.osd.mil/Content/Documents/PPP-Program%20S.pdf)

## Additional Resources:



Military OneSource/Survivor Casualty Assistance:

[militaryonesource.mil/family-relationships/survivor-casualty-assistance](http://militaryonesource.mil/family-relationships/survivor-casualty-assistance)

DoD Survivor's Benefits Guide:

Visit [MilitaryOneSource.mil](http://MilitaryOneSource.mil) and search "Survivor's Guide to Benefits" or visit

[download.militaryonesource.mil/12038/MOS/ResourceGuides/A-Survivors-Guide-To-Benefits.pdf](http://download.militaryonesource.mil/12038/MOS/ResourceGuides/A-Survivors-Guide-To-Benefits.pdf)

Coast Guard Casualty Assistance:

[www.dcms.uscg.mil/PSD/fs/Casualty-Matters/](http://www.dcms.uscg.mil/PSD/fs/Casualty-Matters/)

# TRICARE OVERVIEW

TRICARE is the comprehensive health care program for Service members and eligible family members. It offers a menu of health care plans, a pharmacy program, and even dental coverage.

## TRICARE and DEERS

You must first be registered in the Defense Enrollment Eligibility Reporting System (DEERS) to be eligible for TRICARE. While sponsors are automatically registered in DEERS, sponsors must register eligible family members in the system.

In most cases, these changes must be done in person at a local ID card office.

To add or remove family members in DEERS:

- Go to a local ID card office. Call ahead first to verify business hours or set up an appointment.
- Or, visit <https://idco.dmdc.osd.mil/idco/#/> to set up an appointment online.



## Update DEERS Whenever You Have a Qualifying Life Event

In most cases, you have 90 days (stateside) and 120 days (overseas) from the qualifying life event to make your changes in DEERS/TRICARE. Qualifying life events include:

- Change in sponsor's status
- Getting married or divorced
- Having a child
- Moving to a new location for any reason
- Becoming eligible for Medicare
- Death of a sponsor or family member

## Processes and Procedures for Common DEERS Tasks

### Adding a New Spouse in DEERS

Remember, your spouse and dependents must first be registered in DEERS to be eligible for TRICARE.

- Go to any ID card-issuing office to add your spouse to DEERS
- You need the following documents (originals or certified copies):
  - Marriage certificate
  - Spouse's birth certificate
  - Spouse's Social Security card

### Adding a New Child in DEERS

Remember, your spouse and dependents must first be registered in DEERS to be eligible for TRICARE.

- Obtain an official copy of your child's (or children's) birth or adoption certificate(s).
- Bring the birth certificate(s) and/or court documents to the nearest DEERS/RAPIDS office.

### Removing an Ex-Spouse Due to Divorce

Visit your nearest DEERS/RAPIDS office with your divorce decree. You will want to get a new military ID if you are changing your name.

## Understand TRICARE Options and Benefits

As a Service member, TRICARE is your comprehensive health plan benefit. DEERS-registered spouses and dependents have access to many of the same benefits. TRICARE offers different types of coverage and the right plan for you and your family will depend on several factors including eligibility, location, and health care needs. Every Service member's situation is unique so it is important to do your research and find the right plan for your needs.

Visit [tricare.mil/Plans/Eligibility](https://tricare.mil/Plans/Eligibility) to find your beneficiary category.

Visit [tricare.mil/Plans/New](https://tricare.mil/Plans/New) for an overview of benefits, health plan options and out-of-pocket expenses.

### Compare Options

You can even compare the cost of different plans, here: [tricare.mil/Plans/ComparePlans](https://tricare.mil/Plans/ComparePlans).

Then, take action by confirming your eligibility, exploring plan options, and enrolling!

- Confirm your eligibility online or call **1-800-538-9552**.
- Explore your health plan options.
- Decide which plan is right for you and enroll (if required).
- Reserve Service members can learn more about their TRICARE benefits at [tricare.mil/Plans/HealthPlans/TRS](https://tricare.mil/Plans/HealthPlans/TRS).

## Enrolling and Withdrawing Dependents

Once an eligible dependent's information has been added to, or updated in DEERS, he or she may be enrolled in or withdrawn from TRICARE.

Enrolling and withdrawing dependents in TRICARE varies depending on which plan you're eligible for and select. Visit [tricare.mil/Plans/Enroll](https://tricare.mil/Plans/Enroll) to see which plan is right for you and follow the appropriate steps to enroll or withdraw.

Much like with DEERS, qualifying life events (including birth, adoption, or court-appointed custody) usually open a 90-day (stateside) and 120-day (overseas) window of opportunity to enroll dependents in TRICARE.

Visit [tricare.mil/LifeEvents](https://tricare.mil/LifeEvents) for a list of these milestones and enrollment windows.

## Additional Considerations

### Other Health Insurance (OHI) Beyond TRICARE

Active-duty Service members must enroll in TRICARE Prime, TRICARE Prime Remote, TRICARE Prime Overseas or TRICARE Prime Remote Overseas depending on where they are stationed. However, for National Guard and Reserve members, your eligibility depends on your status. Visit [tricare.mil/Plans](https://tricare.mil/Plans) and use the "TRICARE Plan Finder" to check your plan eligibility. Compare costs and benefits with your civilian health coverage to decide what's best for your family at [tricare.mil/Plans/ComparePlans](https://tricare.mil/Plans/ComparePlans). If you are a Reserve member and have health insurance through your civilian employer, or your spouse has additional health care with their employer, TRICARE pays after all other health insurance with some exceptions. For more information, visit [tricare.mil/Plans/OHI](https://tricare.mil/Plans/OHI).

### TRICARE for Deployments and Mobilization

National Guard and Reserve members are eligible for TRICARE Prime when activated for 30 days or more. Visit [tricare.mil/Plans/New/NewNGRM](https://tricare.mil/Plans/New/NewNGRM) to see what programs are available. When you separate from active duty or demobilize, the Transitional Assistance Management Program provides TRICARE benefits for 180 days. Additional information is available at [www.tricare.mil/Plans/SpecialPrograms/TAMP](https://www.tricare.mil/Plans/SpecialPrograms/TAMP).

### Additional Resources:



**Need further assistance?** Speak with a TRICARE benefit specialist to discuss your specific situation:

**TRICARE West:** 1-844-866-9378

**TRICARE East:** 1-800-444-5445

# Chapter 5:

# Credit Management

Credit has become a normal part of everyday personal financial management for most Americans. Used appropriately it can be an excellent tool, but used the wrong way it can bring the financial wheels of your life to a grinding halt for a long, long time.

# Communicating with Creditors

## Dealing with Debt Collectors

When a debt collector calls, it's important to know your rights and what you need to do. The Federal Trade Commission (FTC) enforces the Fair Debt Collection Practices Act (FDCPA), which makes it illegal for debt collectors to use abusive, unfair, or deceptive practices when they collect debt. The FTC offers the following answers to frequently asked questions to help you know your rights.

### **What types of debts are covered under the law?**

Your credit card debt, auto loans, medical bills, student loans, mortgage, and other household debts are covered under the FDCPA. Business debts are not.

### **Can debt collectors contact me at any time or place?**

No. Debt collectors can't contact you before 8 a.m. or after 9 p.m., unless you agree to it. They also can't contact you at work if you tell them you're not allowed to get calls there.

### **How can a debt collector contact me?**

Debt collectors can call you, or send letters, emails, or text messages to collect a debt.

### **How can I stop a debt collector from contacting me?**

Mail a letter to the collection company and ask it to stop contacting you. Keep a copy for yourself. Consider sending the letter by certified mail and paying for a "return receipt." That way, you'll have a record the collector got it. Once the collection company gets your letter, it can only contact you to confirm it will stop contacting you in the future or to tell you it plans to take a specific action, like filing a lawsuit. If you're represented by an attorney, tell the collector. The collector must communicate with your attorney, not you, unless the attorney fails to respond to the collector's communications within a reasonable time.

Consider talking to the collector at least once, even if you don't think you owe the debt or can't repay it immediately. That way, you can get more information about the debt and confirm whether it's really yours. To avoid debt collection scammers, be careful about sharing your personal or financial information, especially if you're not already familiar with the collector.

### **Can a debt collector contact anyone else about my debt?**

A debt collector generally cannot discuss your debt with anyone but you or your spouse. If an attorney is representing you, and you've told the collector, the debt collector must contact the attorney. A collector can contact other people to find out your address, your home phone number, and where you work, but usually can't contact them more than once, and cannot tell them you owe a debt.

*To learn more about dealing with debt collectors, visit the link to the FTC website <https://www.consumer.ftc.gov/articles/debt-collection-faqs>.*

*For sample letters to help deal with common debt collector problems, visit the Consumer Financial Protection Bureau website at the link <https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>*



## Negotiating a Lower Interest Rate

Credit card rates are not set in stone, so it can be worth the conversation to request an interest rate reduction. Here are a few tips for negotiating a lower rate when speaking with your creditors.

- **Take an active interest in interest rates** – Research and compare credit card rates from numerous companies and ask if your current lender will match.
- **Be honest about your situation** – Explain your plan to pay down debt and state your case for a lower rate.
- **Leverage the positive** – If you are a longtime card holder or have a squeaky clean payment history, leverage these points in your conversation.
- **Build a strong case** – If you've been late on making your payments in the past or even missed a payment, your lender might not feel compelled to lower your rate. So change the narrative and begin making at least the minimum payments on time, every time. After six – 12 months of timely payments, call to state your case.
- **Keep your cool** – The credit card company is not obligated to lower your interest rate, so speak to the customer service representative in a respectful manner when making this request.
- **Go up the chain of command** – A customer service representative might not have the authority to lower your interest rate. If you have a strong reason for reducing your interest rate, ask to speak with a supervisor and state your case.
- **Be persistent** – Destroying your debt can take several months or even years. So, be persistent and periodically call to request a lower rate. Remember to be courteous when speaking to the lender and keep a record of your conversations.

# Credit Reports

## WHAT IS A CREDIT REPORT?

A credit report is a detailed account of your credit, employment and residence history. It also lists any judgments, tax liens, bankruptcies or similar matters of public record entered against you. Lenders use credit reports to determine your creditworthiness.

## HOW DO YOU GET YOUR CREDIT REPORT?

By federal law, you are entitled to a free copy of your credit report annually from each of the nationwide credit reporting companies: Equifax, Experian and TransUnion. To order your free credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or call (877) 322-8228. You may also obtain a free credit report/score from your local FFSC financial counselor.

You are also entitled to a free report if you are denied credit, insurance, or employment based on information in your report. You must ask for your report within 60 days of receiving notice of the denial. The notice will give you the name, address and phone number of the credit reporting agency used to make the decision, and you contact them directly.

Experian  
(888) 397-3742  
[www.experian.com](http://www.experian.com)

TransUnion  
(800) 916-8800  
[www.transunion.com](http://www.transunion.com)

Equifax  
(888) 378-4329  
[www.equifax.com](http://www.equifax.com)

You can also request one free report a year if your report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge you a reasonable amount for another copy of your report within a 12-month period.

## HOW OFTEN SHOULD YOU CHECK YOUR REPORT?

Check your credit report at least once a year for errors, negative information that could prevent you from obtaining a security clearance or mortgage, and signs of identity theft.

## WHAT DOES A CREDIT REPORT CONTAIN?

Credit reports contain the following information:

- Identifying information, such as your name, Social Security number, date of birth, current and previous addresses, employers, etc.
- Information about your credit accounts, such as your balance and payment history.

- Any bankruptcies, foreclosures, liens or judgments against you.
- Inquiries (i.e., when someone checks your credit report). This includes “hard” inquiries, where you applied for credit, or “soft” inquiries for background checks and pre-approved offers.

## HOW DO YOU CORRECT INFORMATION ON YOUR CREDIT REPORT?

Under federal law, both the credit-reporting agencies and the information provider (the person, company or organization that provides information about you to an agency) are responsible for correcting inaccurate or incomplete information in your credit report and must investigate items in question, usually within 30 days of notification. Dispute forms are provided on the credit reporting agencies’ websites, or you can request a hard copy.

Here are the basic steps for disputing inaccurate information:

- Write a letter to the credit reporting agency; explain each dispute and request an investigation to resolve issues. Send copies (not originals) of supporting paperwork.
- Send a similar letter of dispute to the creditor.
- Send all letters and materials by certified mail, return receipt requested.
- The reporting agency will initiate an investigation, contacting creditors to verify the accuracy of the information. If the information cannot be verified, it must be removed.
- When the investigation is complete, if changes were made, the credit reporting agency must send you a free copy of your credit report.
- If the investigation uncovers an error, you have the right to request that a corrected version of your credit report be sent to everyone who received the report in the past six months.

You can read additional information on how to correct information on your credit report at the Federal Trade Commission website: [www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports](http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports).

## WHAT DO I DO IF I SUSPECT IDENTITY THEFT?

If you find suspicious accounts or information on your credit report, it might be an indication of identity theft. If you suspect you are a victim of identity theft, contact the Federal Trade Commission at (877) IDTHEFT or [www.consumer.gov](http://www.consumer.gov). The FTC is the primary resource for information on identity theft.

For additional information on identity theft, see [www.consumer.ftc.gov/features/feature-0014-identity-theft](http://www.consumer.ftc.gov/features/feature-0014-identity-theft). You may also want to sign up for a *Consumer Awareness* course at your local Fleet and Family Support Center.

# Warning Signs of Credit Abuse

Credit cards make spending easy and may encourage you to spend more than you can repay. The following are possible warning signs of too much credit:

- Less than one month's take-home pay in savings.
- Can only afford the minimum monthly payments on credit cards.
- More income committed to debt repayments each month.
- Falling behind on payments and receiving late notices.
- Using credit to pay regular living expenses.
- At or near credit limits on credit cards most of the time.
- Debt-to-income ratio more than 20 percent.

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At this point, financial counseling is recommended to help initiate a plan of action to reduce debt.

Things are reaching the critical stage when an individual or family is:

- rotating bills – paying some this month, some next month.
- borrowing or getting cash advances to make payments – using credit to pay credit.
- being denied additional credit due to problems on credit reports.
- hiding bills or being dishonest with family members about debts.
- seeking additional debt from predatory lending sources, such as payday loans or refund anticipation loans.
- having to rely on a debt-consolidation loan to reduce payments enough to meet monthly living expenses.

At the critical point, financial counseling is essential to establish a plan to reduce debt to a manageable level.

## Sources of Help

- Command Financial Specialists
- FFSC financial counselors
- Your local military credit union financial counselors
- Nonprofit consumer credit counseling agencies
- Legal Service Office
- The Consumer Financial Protection Bureau (CFPB)
- Military OneSource

# What Is a Good Score?

A total number of points — a credit score — helps predict how creditworthy you are, that is, how likely it is that you will repay a loan and make the payments on time. Generally, consumers who are a good credit risk have higher credit scores.

There are many credit-scoring models to include: Fair Isaac Corp, VantageScore, TransRisk, and PLUS Score. The Fair Isaac Corp (FICO) is the most popular credit-scoring model.

Generally, however, the following is true for FICO scores:

FICO Score Ranges	Rating	Description	Expected Rates
< 580	Poor	Your score is well below the average score of U.S. consumers and demonstrates to lenders that you are a risky borrower.	Individuals in this category will probably have to pay the maximum interest rates allowed by law, if given credit at all.
580 - 669	Fair	Your score is below the average score of U.S. consumers, though many lenders will approve loans with this score.	These individuals may find it difficult to get credit and will likely end up paying high interest rates.
670 - 739	Good	Your score is near or slightly above the average of U.S. consumers and most lenders consider this a good score.	Individuals may still qualify for a loan but will pay more for credit than those in excellent or good ranges.
740 - 799	Very Good	Your score is above the average of U.S. consumers and demonstrates to lenders that you are a very dependable borrower.	Individuals may or may not qualify for the very best interest rates and terms, depending on what they are applying for.
800 +	Exceptional	Your score is well above the average score of U.S. consumers and clearly demonstrates to lenders that you are an exceptional borrower.	People in this range will get the best credit rates.

SOURCE: <https://www.myfico.com/credit-education/what-is-a-fico-score>

# Understanding Your Credit Score

Credit scores may range from 300 to 850 depending on the credit scoring model. Most lenders consider people with scores above 670 to be good credit risks. Scores below 580 may indicate credit problems.

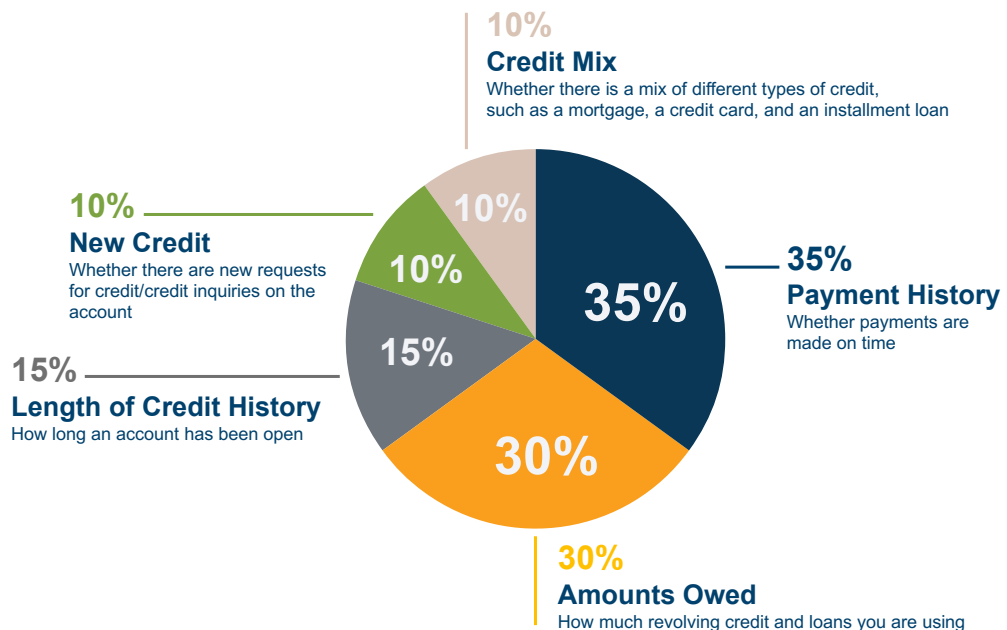
The FICO Score is one of the most widely used credit score models and is considered by lenders to be the industry standard for determining how likely a person is to repay a debt. The chart on the left indicates the five key components of a FICO credit score.

Payment history and amounts owed are responsible for approximately 65% of your credit score, so be sure to make payments on time and keep debt levels low.

Be sure to exercise good credit habits, so you can maintain the highest possible score.

Your FICO score is based on factors including:

- Your payment history
- The amount you owe
- How long you have had credit
- The types of credit you have
- The new accounts you have recently opened



## Credit Can Be Both Good and Bad

Credit can be a valuable part of your long-term financial plan. It can help you make large purchases that would be difficult to pay for with cash, like a new vehicle, a home, or a college education. However, credit can also be dangerous if misused. It can cost you a lot of money, increase your stress, and even damage your career if you can't get or keep a security clearance as a result of a poor credit reputation. Understand how credit works and make wise decisions with these tips.

### Create Healthy Credit Habits

Boost your overall financial well-being by using credit responsibly. Practice the following healthy credit habits to improve your credit reputation:



- Create and follow a spending plan, so you don't overspend and take on extra debt.
- Pay bills on time. Do not skip payments.
- Strive to fully pay off your credit cards each month. If you have to carry a balance, keep it as low as possible.
- Do not apply for credit you do not need.
- Keep credit card and loan information in a safe, secure place to reduce the risk of identity theft.
- Keep receipts and compare charges when your statements arrive. Contact your bank, credit card or finance company immediately if there is a discrepancy.

### Understand Your Credit Reputation (Credit Report)

Your credit report is a record of your payment history with creditors. Lenders, employers, landlords, insurers and other businesses often evaluate this report to determine if you are dependable and to make decisions about whether or not to lend you money. Your credit report shows the following:



- How much credit you are using
- How well you pay your debts
- Who is inquiring about your credit
- Information on bankruptcies

# Play to Win! - Strategies for a good credit score

- Payment history is 35% of your score
  - ▶ Set minimum auto payments
  - ▶ Avoid delinquencies and collections
- How much you owe is 30% of your score
  - ▶ Pay in full monthly
  - ▶ Use a debt repayment strategy
  - ▶ Don't exceed 6% of credit limit
  - ▶ Save for large purchases
- Time is 15% of your score
  - ▶ Choose the right cards
  - ▶ Keep card longer

## Play to Win!

For the biggest wins, focus on the three highest scoring areas. These rules work whether you are trying to build credit initially or fix an already troubled score. Let's master the basics in these key areas.

### Your payment history has the biggest impact, making up 35% of your score.

Stay on the Offensive: Never miss a payment. Some people choose to set their minimum payments on autopay each month so they don't miss even when traveling or busy. Yes, they will need to go back in to pay in full or whatever their Debt Destroyer™ payment is, but this way they will not get hit with a late payment accidentally. This is a very proactive strategy.

Now let's talk Defense: Avoid delinquencies. When an unpaid bill or debt goes into collections, it affects this part of your credit score. Check your report for any collections. We recommend you avoid collections before they even show up. Don't ignore bills you don't agree with. Instead, call the company and discuss, go to your local Legal Assistance office, or see your Financial Counselor or Educator at your Installation Family Support Center. Also, make sure you submit change of address forms with the U.S. Postal Service every time you move to avoid missing that last bill or invoice.

### How much you owe is 30% of your score.

Offense: Keep credit cards paid in full monthly. When you keep your card paid off before the statement due date and your card has a grace period, you won't be paying interest either. Nice to have good credit for free!. If you must carry balances, keep them low and pay them down as quickly as you can.

Defense: Only charge large purchases for which you have already saved. Then pay the card off in full before the statement deadline. Also, be careful of card use on things like dining out, a night at the club or bar, and snacks. These may add up to more than you were planning. Some people choose to pay their credit cards off each pay period so balances do not go unchecked for too long.



Scoreboard Strategies: It is not always advisable to close a credit card once you pay off a balance. This can reduce the total amount of credit you have available compared to the total outstanding debt you carry, affecting this part of your score. Check with your PFM if you want some advanced score building strategies.

Just a side note: Debit cards are not the same as credit cards, and do not count toward these scores even though they may have a Visa logo.

### Length of credit history aka time is 15% of your score.

This section counts both the amount of years you have been building credit, and the average length of time you have kept each card.

Offensive: Pick the right cards.

- Be picky about the cards you open
- Only open what you would keep for years
- Look for no annual fee
- Look for grace period
- Accepted everywhere/overseas

Defensive: Keep your cards longer! Charge something quarterly to keep card open. Some cards close with lack of use. A small monthly bill being auto charged to this card could also fill this purpose. Just remember to pay them off before the due date.

Try to keep a card in just your name. When you marry, consider keeping a card in just your name and just in your spouse's name. You can get a joint card if you choose, but this way if a divorce happens in the future or you decide to manage your finances separately you don't have to close all of your cards and restart the clock. Couples may change how they manage finances during their marriage, so it saves both of your scores.



## Strategies to BUILD Credit

Here is an area where CFSs can really make a difference navigating the credit game and coaching new players to the game. Young adults typically have very low credit scores. This is because they tend to have very short or even nonexistent credit histories.

Starting out right can avoid some practices that cause people issues early on in their credit-building journey.

**Offensive:** Create a great credit score before your first loan (i.e. your first car loans). This can help you qualify for the best interest rates. Have this talk with your Service members before they go out to get that new car!

The first strategy of building credit cheaply is to use credit cards instead of loans. Why is this?

Credit cards are cheaper than loans if paid off in full each month. They typically can stay open longer helping your history. Additionally, when loans first open you owe almost your entire balance which lowers the “amounts owed” part of your score. Also, with a loan you will almost always be charged interest. So, avoid loans at first and focus on strategic credit card use.

**Defensive:** Educate Service members on banking products that can run them off course. Line of credit products are often sold as overdraft protection at your bank or credit union. Many people do not even understand what they are signing up for. This is a credit product. It will show up on your credit report, and it comes with a cost. When you spend more than is in your account you essentially borrow from this line of credit and are charged a fee or interest rate, and then it is paid off with your next paycheck or deposit. This often causes a vicious cycle for Service members who are using the next paycheck to meet last week’s charges instead of the planned expenses for the paycheck.

## What If No One Wants to Give Me Credit?

It may surprise you that usually you can get a credit card even without credit history. You can ask card companies what their credit score ranges are for a credit card. Some websites like *bankrate.com* include searchable criteria showing the cards available at each range of credit score, including no score. This can be helpful to know before you apply.

Also, you may be able to apply for your first card easier through your personal bank where they have some record of your financial responsibility even if nothing is showing on your credit report yet.

As a last resort, retail cards are typically more forgiving when it comes to extending credit to customers with low or no credit. Service members should be cautious when applying for credit, however, and make sure they understand all of the terms of credit as well as the available protections. Be sure to check for no annual fee and a card you can use anywhere.

For those who find they cannot qualify for even those credit cards, it is still possible to build credit. Service members can seek secured credit cards, which require a cash deposit with the creditor. If the cardholder does not make payments on the card, they forfeit their deposit. Because the creditor has little risk, even applicants with poor or no credit are likely to receive approval.

Service members should read the fine print regarding secured cards' annual fees and other costs, which may qualify for waiving or lowering under the Military Lending Act or Service members Civil Relief Act. It is also important to confirm that the lender is going to report activity to one of the three nationwide credit bureaus — Equifax, Experian and TransUnion.

## Strategies to IMPROVE Credit

If a Service member has credit, but it could use improvement, suggest a strategy session with you or the Financial Counselor or Educator at your Installation Family Support Center to create a spending plan, look at their credit, and make a game plan.

There are the general basics you learned already in this course, like spending less than you make and creating a spending plan. Another important strategy is to stop spending on credit until they have all their balances paid off. This alone can help turn a credit score around. Ideally charge only what they can pay off monthly. However, if they are already in debt, they may benefit from limiting credit spending until finally out of debt. If one wants to get out of a hole, it is important to stop digging it deeper.

Offensive: Adopt a debt repayment strategy.

There are a number of debt repayment strategies like our Debt Destroyer program. The snowball or avalanche repayment options can accelerate your path to being debt free. The Financial Services Provider How-to Guide includes specific instructions for completing this section of the eFPW.

When planning a debt repayment plan, don't forget to include any debts that have gone to collections. It is highly recommended to speak with your Installation Family Support Center Financial Counselor or Educator or local Legal Assistance office before contacting creditors to understand consumer protections and receive help with anything incorrect or illegal.

Offensive: Another strategy to lower your cost and improve your credit is to contact creditors.

They can help your client lower interest rates, which can lower monthly costs and provide more funds for a debt repayment plan. One easy way to ask for this is to call the existing credit card company, tell them you plan to switch to a card with a lower interest rate, and ask what they can do for you. In many cases, they will lower your interest rate to keep you as a customer. This can be effective if you have been a customer with an account in good standing for a year or more, have good credit, and are being charged a higher interest rate.

Additionally, you could be eligible to lower your interest rate through provisions in the Servicemembers Civil Relief Act (SCRA). The SCRA is a federal law that provides protections for Service members as they enter active duty. One of the provisions provides credit-rate reductions of qualified debt to 6% if a Service member's military obligation makes it difficult to pay on financial obligations such as credit cards, loans, mortgages, etc. Qualifying debts are debts that were incurred by the Service member, or the Service member and their spouse jointly, before coming on active duty. Debts entered into after going on active duty are not protected by this provision of the law. For information on rate reductions under the SCRA, contact your local Legal Assistance office.

As we have already said, focusing on your highest scoring areas can help get the most improvement in the early stages of score improvement. But none of this will last long term if one does not change their behavior. Remember that overcoming debt is more about behavior than financial knowledge. Helping your client talk through how they got into debt to begin with can be life changing. Are they living beyond their means? Are they satisfying all their wants and sacrificing all their needs? Are they an emotional spender or an impulse shopper? A Financial Counselor or Educator at your Installation Family Support Center or CFS can help figure out some manageable changes so that behavior moves Service members in the direction of building wealth, not drowning in debt.

## **PROTECT Your Credit**

As a Service member, you already know it is important to protect the things that are important to you. Your credit is just another one of these things. There are a number of steps you can take to protect your credit.

Sign up for an active-duty alert with the three credit bureaus.

Check for identify theft by checking your credit report regularly. Look for accounts you have not opened and names or addresses that are not yours. If you expect ID theft, or are deploying and not planning to open any new credit, you can put a freeze on your credit. It's free, takes only a few minutes, and makes it virtually impossible for identity thieves to open new accounts in your name. If you choose not to freeze your credit, set up a fraud alert, which allows creditors to pull your credit report but requires them to verify your identity as the person making the request.

Credit monitoring is an easy way to stay on top of your finances, whether you're home or abroad. If you know there's a problem, you can take steps to correct any mistakes or fraudulent activity that may impact your credit score. Take advantage of free credit monitoring services designed specifically by the national credit bureaus for Service members. As of October 2019, all three credit agencies — Equifax, Experian and TransUnion — have a legal obligation to provide free credit monitoring for military members. In order to receive this service, military members must set up an active-duty account with each: Equifax, Experian, and TransUnion.

Limit the rights that you give away in any Power of Attorney (POA). This document may give or limit the ability to open new loans, open or close credit or bank accounts in your name, or sell or buy possessions. These become your financial obligations. Please talk with your local Legal Assistance office for more information on this important document and the things you should think about before signing one.

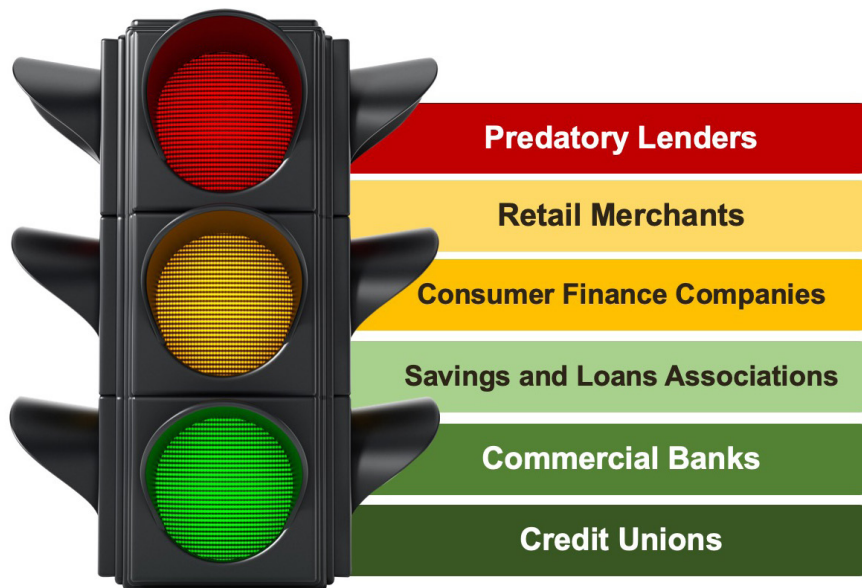
Keep your addresses current as you move. Call all your creditors to update your information and send in a change of address with *USPS.com* or at your local post office on base. This is important to make sure you receive your bills before the collection agency does. Prevention is the best cure for a good score

# The Cost of Credit

When you are seeing new people coming into your command you may introduce the idea of meeting up if they are looking to buy a car as they transition in. This would give you a great opportunity to open a dialog about credit and debt. Maybe even refer them to the *Major Purchases* Handout from the TC Curriculum and encourage them to come in and see you for a strategy session before they go shopping. Important things for them to understand are:

- How much you borrow
- How long you take to repay
- How much you pay each month
- Where you borrow

How much you borrow and the years you take to repay affect the total cost of any item you purchase. The longer the loan, the more interest you typically pay. Paying extra principal each month can help speed up how fast you will pay things off and reduce the total cost of the original loan. Increasing your down payment or shortening the length of your loan will also reduce the overall cost. Let's spend a little more time looking another important factor, where you borrow.



## Where You Borrow

Where you borrow will affect the cost of your financing. Here are the most common places to borrow:

**Credit unions:** Credit unions are nonprofit organizations owned by members. They lend to members only and normally offer some of the most attractive rates.

**Commercial banks:** Banks are for-profit financial institutions that offer a wide variety of products. Banks typically lend to lower-risk applicants and rates are usually competitive.

**Savings and loan associations:** These associations are similar to banks, but they generally focus on mortgages or similar services.

**Consumer finance companies** These companies normally deal with higher-risk applicants. Therefore, rates are higher than most of the other options mentioned. You may have seen furniture, jewelry or mattress financing stores that offer this.

**Retail merchants:** Retail merchants can be expensive places to finance any consumer purchase. Rates are often relatively high, because you are paying for the convenience of on-site financing. This applies to both in-store loans and credit cards that have promotional introductory rates that rise rapidly after 90 to 180 days.

**Predatory lenders:** Predatory lenders cater to very high-risk applicants who cannot get approved for credit elsewhere. This type of lender includes advance-fee loans, payday loans, subprime mortgages, title loans, refund-anticipation loans, pawn shops and rent-to-own stores. These lenders charge excessive interest rates and fees, may wrap in unnecessary insurance and often have pre-payment penalties. This is the most expensive money to borrow. If you are considering borrowing from these lenders, you should talk to a Financial Counselor or Educator at your Installation Family Support Center or your CFS first.

## Financial Warning Signs

Service members tend to have increased financial management issues for a number of reasons including age and military lifestyle. Service members tend to move away from home and their support system at a younger age than the general population. Deployments, frequent moves, the high cost of living at many military locations, and difficulties maintaining spouse employment can increase financial challenges for Service members and their families. Easy access to credit at a young age — without an understanding of how to manage it — can also factor into financial problems.

Not everyone is going to be proactive with their finances. There are warning signs that can help you spot trouble before it gets too out of hand. Look for these warning signs in your command. You may even be able to help catch someone before they fall off the cliff. See *Financial Warning Signs* Handout for more information. The following are possible warning signs of a fragile financial situation:

- Unable to pay bills
- Unable to afford car or having car repossessed
- Bounced checks or overdrawn checking account
- Spouse lost job
- Divorce/separation
- Not enough money
- No emergency fund
- Over your head in debt
- Facing foreclosure
- Can't sell your home

At this point, financial counseling is recommended to help initiate a plan of action. Things are reaching the critical stage when an individual or family is:

- Rotating bills — paying some this month, some next month
- Borrowing or getting cash advances to make payments — using credit to pay credit
- Being denied additional credit
- Hiding bills or being dishonest with family members about debts
- Seeking additional debt from predatory lending sources, such as payday loans or refund anticipation loans
- Having to rely on a debt-consolidation loan to reduce payments enough to meet monthly living expenses

At the critical point, financial counseling is essential to establish a plan and/or to provide outside sources of help to reduce debt to a manageable level. Helping them establish a budget and debt payoff plan should give you, and them, an idea of exactly where they are starting from. If it is evident that they will not be able to manage their debt obligations with their current situation, pull in assistance from a Financial Counselor or Educator at your Installation Family Support Center.

# Chapter 6: Car Buying

Purchasing a vehicle is a large investment that can have significant impact on an individual's short-term and long-term financial circumstances. The car buying process consists of several phases, each with its own potential hazards that can result in lasting negative consequences for the amateur buyer.



# Major Purchases

## A Lot to Consider

What do you consider to be a major purchase? A new car, truck or motorcycle? A home? A new gaming system? In truth, any of these could be a major purchase depending on your financial situation at the time you buy it.

A major purchase is a big decision, but it does not have to be a big deal if you have your financial house in order. Consider how this purchase fits into the rest of your financial situation, including your goals for the future.

## Be Smart

Spending on a major purchase doesn't mean you have to risk your financial future in the process. It is possible to buy big-ticket items and still be smart about it.



## Think First

Stop major purchases from becoming major problems.

- **Use logic over emotion.** Be smart; don't let fancy marketing suck you in.
- **Consider additional costs.** What else will you have to pay? Consider associated costs like maintenance, repairs and insurance.
- **Picture your future.** Your life may be completely different in a year or two. Will your major purchase make sense then, or will you regret it? For example, it may not make sense to buy a car if you will not be able to take it with you to your next duty station.
- **Shop around.** Do research and find the best option that meets your budget and needs. Shopping around forces you to slow down. Use this time to review your spending plan to ensure you can cover the purchase plus any additional costs.
- **Decide: Cash or credit?** Using cash is often smarter than using credit. However, avoid taking cash from your emergency fund to pay for a major purchase. Experts recommend keeping 3-6 months of living expenses set aside for emergencies.



## Avoid Trouble

- **Want or need?** Be honest when you ask yourself if this purchase is absolutely necessary. For example, you may legitimately need a car, but you probably don't need the most expensive one available. You should be just as excited about making a smart purchase as you are about what you want to buy. If not, you could be headed for trouble.
- **Wait.** One of the best ways to bypass an emotional buying decision is to implement a cooling-off period before you pull the trigger. Sleep on it, maybe for a couple of days, and see if it still seems like a good move.
- **Ask someone else.** Talk with a trusted friend or family member and ask them to be a sounding board regarding your major purchase. Just be sure to find a helper and not an enabler.
- **Too good to be true?** Things that seem wonderful on the surface can sometimes include hidden costs or contractual obligations. Make sure you read the fine print and understand all of your short- and long-term responsibilities when making any major purchase.

## Buying a Vehicle

Most vehicles decline in value rather quickly, making it easy to owe more than the vehicle is worth.

### Assess Your Needs

It's easy to rationalize that you need more in a vehicle than you really do, but resist that urge. Consider your personal situation. Will you PCS or deploy anytime soon? Will your household income be decreasing for any reason? A lot can change over a few years, so it is important to think about your purchase not only in terms of whether you can afford the vehicle today, but also whether you will be able to afford it in the future.



	Potential Upside	Potential Downside
<b>Buying a New Vehicle</b>	<ul style="list-style-type: none"><li>• Lower loan interest rates</li><li>• Latest safety features and technology</li><li>• New warranty</li><li>• Less maintenance</li></ul>	<ul style="list-style-type: none"><li>• Higher payment</li><li>• Rapid depreciation</li><li>• Longer commitment</li><li>• Higher insurance premiums</li></ul>
<b>Buying a Used Vehicle</b>	<ul style="list-style-type: none"><li>• More affordable</li><li>• Less depreciation</li><li>• Lower registration and licensing fees</li><li>• Lower insurance premiums</li></ul>	<ul style="list-style-type: none"><li>• Higher interest rates</li><li>• Higher maintenance and repair costs</li><li>• Limited warranty</li></ul>
<b>Leasing a Vehicle</b>	<ul style="list-style-type: none"><li>• Lower payments</li><li>• Lower maintenance costs</li></ul>	<ul style="list-style-type: none"><li>• No ownership</li><li>• More expensive in the long term</li></ul>

### Identify Your Priorities

- **Price** — Rebates, discounts, option package discounts, trade-ins, available financing
- **Affordability** — Monthly payments, fuel, insurance, maintenance, repairs, taxes, registration, license fees – it's not just the loan payment
- **Resale Value** — Future marketability: automatic transmission, air conditioning, leather upholstery, anti-theft system, safety features, other accessories
- **Gas Mileage** — EPA estimates, engine size, transmission, air conditioning, load capacity, road conditions, driving habits, advantages and disadvantages of hybrids
- **Safety** — Crashworthiness, safety ratings, safety features



### How Much Can You Afford?

Evaluate your spending plan and determine how you will pay for your vehicle. If you don't have a spending plan, now is a great time to set one up. To avoid interest costs, try to save up and pay in cash. If that isn't feasible, you may need to get a loan. Like credit cards, vehicle loans vary depending on many factors including the lender and your credit score. When shopping for a loan, compare the following:

- **Annual percentage rate (APR)** — the rate of interest you will pay per year
- **Loan term (or length)** — the period of time you have to pay the loan in full
  - Longer-term loans generally have higher interest rates and lower monthly payments
  - Shorter-term loans may have lower interest rates and higher monthly payments
- **Prepayment penalties** — a fee for paying the loan in full before the due date
- **Lender's reputation** — service reputation and financial strength of the lender

## Vehicle Loan Debt Multiplier

It can be tempting to commit to a longer loan term to keep your payments down, but be sure to compare the total amount of interest over the entire life of the loan before deciding. Remember, you typically pay more in total interest when you select a loan with a longer term. Be sure to ask questions and read the contract carefully before you sign. It's usually a good idea to keep auto loans five years or less.

Interest Rate	Length	Payments	Loan Amount	Total Interest Paid
<b>6% APR</b>	<b>3</b> Years	\$456 × 36	\$15,000 + \$1,428	\$16,428
	<b>4</b> Years	\$352 × 48	\$15,000 + \$1,909	\$16,909
	<b>5</b> Years	\$290 × 60	\$15,000 + \$2,400	\$17,400

Interest Rate	Length	Payments	Loan Amount	Total Interest Paid
<b>10% APR</b>	<b>3</b> Years	\$484 × 36	\$15,000 + \$2,424	\$17,424
	<b>4</b> Years	\$380 × 48	\$15,000 + \$3,261	\$18,261
	<b>5</b> Years	\$319 × 60	\$15,000 + \$4,122	\$19,122

### Summary

You will likely make many major purchases throughout your life. But remember, you don't have to risk your financial future if your financial house is in order.

- Plan ahead and take the time to carefully consider your purchase.
- Honestly evaluate your needs and budget.
- Educate yourself so you can make prudent financing decisions.

The decisions you make today can make a big difference for your financial future.

# Car Sale Tricks of the Trade

## **PUT TO RIDE:**

When a salesperson cannot persuade you to buy today, they may insist that you leave your trade-in at the dealership, keep the new car overnight and drive it home. This way, no other dealership can see your trade-in, your neighbors and relatives see the car, you fall in love with it and have a hard time saying no to purchasing the car when you have to bring it back the next day.

## **BAIT AND SWITCH:**

When a dealership runs an ad with a picture of a well-equipped car and the price of a stripped-down model to entice you to come in. You are then shown the stripped-down model and quickly switched to the well-equipped one with a higher price tag.



## **LOWBALLING:**

This occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return before signing with anyone else just to see if the offer still stands. At this point, the salesperson will tell you that they cannot sell the car for that low a price because the sales manager will not allow it.

## **HIGHBALLING:**

This is the same as lowballing, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

## **PADDING:**

Adding charges that increase the dealer's profit at the time you sign the contract (e.g., undercoating, protection packages, dealer-installed options, credit life insurance, disability insurance, extended warranties).

## **GOOD GUY/BAD GUY (MUTT AND JEFF ROUTINE):**

When the salesperson plays the role of the good guy and the manager plays the bad guy to enhance the image of the salesperson. The salesperson and manager may even stage an argument in front of you, with the salesperson trying to persuade the manager to give you a lower price. Once you believe that the salesperson is on your side, you drop your guard and become an easy mark.

## **"YOUR CAR":**

This refers to when the salesperson keeps referring to the car as "your car" to get you subconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.

# The Budget Bottom Line

MM2 Paul Jones and his wife, Connie, are thinking about buying a new car. They have figured out their basic income and expenses and have a pretty good idea about the type of car they want and what it will cost. Connie works part time while their 7-year-old daughter is in school. They currently own one car, which is paid off. They live in base housing. They have an emergency fund of \$1,000.

Calculate the Jones' monthly bottom line and figure out whether they can truly afford this car purchase.

Total (after tax) Income	\$2,536
Total Monthly Living Expenses:	\$1,845

Paul and Connie have picked out a vehicle that suits their needs. They have calculated that their total monthly car payment will be approximately \$357.

Using the following guidelines, determine whether Paul and Connie can afford this vehicle.

1. Financial advisers usually suggest keeping total car expenses to within 25 percent of your net income (what remains after taxes).

Paul and Connie's total net income: \_\_\_\_\_ x 25% (.25) = \_\_\_\_\_

2. Total car expenses includes the car payment plus maintenance, insurance, operating expenses (fuel, oil, etc.) and taxes. These operating expenses can sometimes total up to one-third of the monthly payment. To avoid spending more than you can afford, multiply the amount you figure you can afford to spend each month on your new vehicle by .66. The product will give you a good idea of what the car payment max is for your current financial situation.

25% of net income x .66 = \_\_\_\_\_ (Estimated car payment max based on net income.)

3. Paul and Connie have \_\_\_\_\_ left over each month. Can they afford the maximum payment calculated above?

## YOU BE THE JUDGE OF THEIR BUDGET "BOTTOM LINE."

Adapted from the "Keys to Vehicle Leasing" brochure (in English and Spanish), available from [www.federalreserve.gov/pubs/leasing](http://www.federalreserve.gov/pubs/leasing), or Publications Fulfillment, MS-127, Board of Governors of the Federal Reserve System, Washington, DC 20551, Telephone: (202) 452-3244 or 3245.

# Common Dealership Financing Pitfalls



If you are going to sit in the Finance and Insurance (F&I) room, the editors of Edmunds.com suggest you watch out for these common pitfalls:

<b>Pitfall No. 1:</b>	Many consumers do not know what their credit rating is when they apply for an auto loan. The strength of their credit score largely determines what kind of interest rate they will receive. Therefore, it is critical to make sure your credit report is in the best shape possible before shopping for a car.	<b>Solution:</b>	Order a copy of your credit report and look for items that may stand in the way of you getting a good rate. Correct any issues or errors promptly. Are all of your lines of credit in good standing? Are there any signs of identity theft? The credit bureaus will tell you how to correct errors when you get your report.
<b>Pitfall No. 2:</b>	Many consumers are tempted to overspend once they get to the dealership.	<b>Solution:</b>	Bring a printout of your budget to the dealership as a reminder of what you planned on spending. Be sure to bring any printouts of pricing you have done.
<b>Pitfall No. 3:</b>	Most consumers arrive at the dealership without having researched the current interest rates being offered in the marketplace, so they have no idea if they are being offered a competitive rate.	<b>Solution:</b>	Use the Internet as a research tool to compare rates. Check out websites such as bankrate.com for national averages, and the website of your own financial institution for their current rates.
<b>Pitfall No. 4:</b>	Most consumers arrive at the dealership without approved auto financing in hand. This is either because they are not aware of all the financing options available or they assume they will qualify for a low rate at the dealer. This approach deprives the consumer of bargaining power when it comes to negotiating the lowest possible interest rate.	<b>Solution:</b>	Become an “empowered buyer” by getting a no-obligation loan before visiting the dealership. Having your own loan could save you significant money. For example, a 60-month \$26,000 loan at 4.49 percent can save the consumer about \$1,500 over the life of the loan, compared with a loan at 6.56 percent.

**Pitfall No. 5:** Many dealers offer a choice between discounted (or zero percent) financing or a rebate, but not both. Consumers may erroneously assume that the zero percent loan will deliver the most savings.

**Solution:** Sometimes it is better to take the cash rebate and apply it against the purchase price of the vehicle – and then use your own preapproved car loan to finance the vehicle. The savings chart below shows how a low-interest rate and a rebate can “beat” a zero-percent deal.

<b>36-Month Car Loan Comparison *</b>		
APR	0%	3.99%
Cost of car	\$20,000	\$20,000
Less equity in trade	\$4,000	\$4,000
Less rebate	\$0	\$2,000
Amount to finance	\$16,000	\$14,000
Monthly payment	\$444.44	\$413.27
Total cost	\$16,000	\$14,877.85
Savings	\$0	\$1,122.15

\*Source: Capital One Auto Finance

**Pitfall No. 6:** The F&I officer may try to confuse you by intertwining different elements of your deal. For example, they may say, “We’ll give you an extra-low price on the vehicle, but this interest rate is the best we can do.”

**Solution:** Consumers should unbundle the deal and keep it three separate transactions: the purchase, the trade-in, the financing. Avoid discussions that can take you off this track, such as how much you can afford to spend per month. With financing, focus on the APR, not the monthly payment.

**Pitfall No. 7:** By the time they get to the finance department, many consumers are mentally worn out and do not review the contract thoroughly before signing. As a result, they may agree to buy things they did not plan to buy (such as an extended warranty, rust-proofing, etc.).

**Solution:** Before you sign any papers or hand over any money, check the figures in the contract and understand all of the charges. The sudden appearance of extra fees should be questioned. Sometimes, dealers add extra fees – “junk fees” – to retake profit they have lost by selling cars at invoice.

**Pitfall No. 8:** The consumer feels rushed, pressured and confused by the dealership’s staff. In some cases, these buyers have second thoughts about completing the deal but sign the documents anyway.

**Solution:** Consumers who feel out of their comfort zone should walk away. The buyer – not the seller – should be the one in control of the process. Remember, the federal “cooling off” law does not apply to cars.

If you do your homework ahead of time and know what to expect before entering the F&I room, the paperwork process can go quickly and easily. More importantly, you will receive a deal on your auto loan that you can feel good about for the life of the car.



# Determining Car Payments

When purchasing a vehicle, the most commonly asked question is:

“How much will my monthly payments be?”

The answer, of course, will depend on the amount financed, the number of months financed, and the interest rate.

Remember, the larger your down payment, the less your monthly payment.

To use the chart, the following steps apply:

1. Cross the interest rate with the number of months you wish to finance for and locate your multiplier. For example:  
6.5% at 36 months is .0306490,  
6.5% at 48 months is .0237150,  
and 6.5% at 60 months is .0195661.
2. Multiply the total amount you plan to finance by the multiplier and you will have your monthly payment. For example:  
\$10,591.00 at 6.5% for 36 months =  
 $\$10,591.00 \times .0306490 = \$324.60$  per month,  
\$10,591.00 at 6.5% for 48 months =  
 $\$10,591.00 \times .0237150 = \$251.17$  per month,  
\$10,591.00 at 6.5% for 60 months =  
 $\$10,591.00 \times .0195661 = \$207.22$  per month.

	36 Months	48 Months	60 Months	72 Months
0.50%	0.0279926	0.0210471	0.0168794	0.0141016
1.00%	0.0282079	0.0212614	0.0170938	0.0143159
1.50%	0.0284251	0.0214777	0.0173100	0.0145321
2.00%	0.0286422	0.0216948	0.0175281	0.0147503
2.50%	0.0288613	0.0219139	0.0177471	0.0149806
3.00%	0.0290813	0.0221301	0.0179690	0.0151940
3.50%	0.0293022	0.0223558	0.0181919	0.0154188
4.00%	0.0295240	0.0225791	0.0184165	0.0156454
4.50%	0.0297469	0.0228035	0.0186430	0.0158739
5.00%	0.0299709	0.0230293	0.0188712	0.0161052
5.50%	0.0301959	0.0232565	0.0191012	0.0163375
6.00%	0.0304219	0.0234850	0.0193328	0.0165726
6.50%	0.0306490	0.0237150	0.0195661	0.0168096
7.00%	0.0308771	0.0239462	0.0198012	0.0170494
7.50%	0.0311062	0.0241789	0.0200379	0.0172902
8.00%	0.0313364	0.0244129	0.0202764	0.0175328
8.50%	0.0315675	0.0246483	0.0205165	0.0177783
9.00%	0.0317997	0.0248850	0.0207584	0.0180257
9.50%	0.0320329	0.0251231	0.0210019	0.0182750
10.00%	0.0322672	0.0253626	0.0212470	0.0185261
10.50%	0.0325024	0.0256034	0.0214939	0.0187792
11.00%	0.0327387	0.0258455	0.0217424	0.0190341
11.50%	0.0329760	0.0260890	0.0219926	0.0192909
12.00%	0.0332143	0.0263338	0.0222444	0.0195506
12.50%	0.0334536	0.0265800	0.0224979	0.0198112
13.00%	0.0336940	0.0268275	0.0227531	0.0200736
13.50%	0.0339353	0.0270763	0.0230098	0.0203390
14.00%	0.0341776	0.0273265	0.0232683	0.0206062
14.50%	0.0344210	0.0275780	0.0235283	0.0208743
15.00%	0.0346653	0.0278307	0.0237899	0.0211453



# Installment Sale Contract for Titled Vehicle and Equipment

<b>Account No.</b>	<b>Dealer No.</b>
<b>Buyer (and Co-Buyer) Name(s) and Residence Address(es)</b> John Dough USS Always Sail FPO AE 09557-1516	<b>Creditor (Seller) - Name and Business Address</b> Fib's Auto 9603 Shore Drive Anywhere, USA

After thorough examination, Buyer hereby buys from Seller, grants Seller a security interest in, and acknowledges delivery and acceptance of the following described property ("Property") at the price and upon conditions herein stated, this Contract being valid only upon purchase and acceptance by assignee. This sale is not contingent upon financing on terms satisfactory to the parties hereto.

DESCRIPTION OF PROPERTY					
New or Used	Year	Make and Model	Body Type	Vehicle Identification Number	Primary Use Intended
Used	02	Ford Focus St Wagon	4 DR Wagon	4G3RF1234BB567890	X Personal Business
<input checked="" type="checkbox"/> Air Conditioning <input type="checkbox"/> Radio <input checked="" type="checkbox"/> 4-5 Speed Trans. <input type="checkbox"/> Power Steering <input checked="" type="checkbox"/> Other <input type="checkbox"/> Sun Roof <input checked="" type="checkbox"/> Stereo <input checked="" type="checkbox"/> Automatic Trans. <input type="checkbox"/> Custom Wheels <input type="checkbox"/> Other (describe) <input checked="" type="checkbox"/> CD					Odometer Miles
					86,905

THE FINANCE CHARGE IS CALCULATED ON A  Precomputed  Simple Interest Basis

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	TOTAL SALE PRICE
The cost of your credit as a yearly rate.  18%	The dollar amount the credit will cost you.  \$ 1290.00	The amount of credit provided to you or on your behalf.  \$ 6509.00	The amount you will have paid after you have made all payments as scheduled.  \$ 7800.00	The total amount of your purchase on credit, including your down payment of:  \$ 1300.00 \$ 9100.00

YOUR PAYMENT SCHEDULE WILL BE		
NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE
24	\$ 325.00	Monthly Beginning 6 mos. ago
A Final Payment of	\$	Due On

**Late Charge.** If a payment is not paid in full within 7 days after it is due, you will pay a late charge of 5% of amount of payment due.  
**Prepayment.** If you pay off early on a Contract with a precomputed finance charge, you will be entitled to a refund of part of finance charge. If the finance charge is calculated on a simple interest method, you may have to pay a prepayment penalty.  
**Security Interest.** You are giving a security interest in the Property and related equipment being purchased and in our right of setoff.

### ITEMIZATION OF AMOUNT FINANCED

1. Cash Price (including any accessories, services, and taxes)	\$ 5997.00
2. Total Downpayment = Net Trade-in \$ 0.00 + Cash Downpayment \$ 1300.00	\$ 1300.00
Your trade-in is a (YEAR) (MAKE) (MODEL)	\$ 1300.00
3. Unpaid Balance of Cash Price (1 minus 2)	\$ 4697.00
4. Other Charges Including Amounts Paid to Others on Your Behalf:	
A. Cost of Required Physical Damage Insurance Paid to the Insurance Company Named Below - Covering Damage to the Vehicle	\$ 710.00
B. Cost of Optional Mechanical Repair Coverage for Certain Mechanical Repairs	\$ 720.86
C. Cost of Optional Credit Insurance for the Term of this Contract Life \$ 0.00 Accident and Health \$ 0.00 Total	\$ 0.00
D. Official Fees Paid to Government Agencies	\$ 19.52
E. Taxes Not Included in Cash Price	\$ 198.62
F. Government License and/or Registration Fees (itemize)	\$ 125.00
G. Government Certificate of Title Fees	\$ 38.00
H. Other Charges (Seller must identify who will receive payment and describe purpose) to Road USA for Car Club to for	\$ 0.00
Total Charges and Amounts Paid to Others on Your Behalf	\$ 1812.00
5. Amount Financed — Unpaid Balance (amount of credit you will receive) (3+4)	\$ 6509.00



# Leasing Vs. Buying

	Leasing	Buying
Ownership	You do not own the vehicle. You get to use it but must return it at the end of the lease unless you choose to buy it.	You own the vehicle and get to keep it at the end of the financing term.
Up-front Costs	Up-front costs may include the first month's payment, a refundable security deposit, a capitalized cost reduction (like a down payment), taxes, registration and other fees and charges.	Up-front costs include the cash price or a down payment, taxes, registration and other fees and charges.
Monthly Payments	Monthly lease payments are usually lower than monthly loan payments because you are paying only for the vehicle's depreciation during the lease term, plus rental charges (such as interest), taxes, and fees.	Monthly loan payments are usually higher than monthly lease payments because you are paying for the entire purchase price of the vehicle, plus interest and other finance charges, taxes, and fees.
Early Termination	You are responsible for any early termination charges if you end the lease early.	You are responsible for any pay-off amount if you end the loan early.
Vehicle Return	You may return the vehicle at lease end, pay any end-of-lease costs and walk away.	You may have to sell or trade the vehicle when you decide you want a different vehicle.
Future Value	The lessor has the risk of the future market value of the vehicle.	You have the risk of the vehicle's market value when you trade or sell it.
Mileage	Most leases limit the number of miles you may drive (often 12,000 to 15,000 per year). You can negotiate a higher mileage limit and pay a higher monthly payment. You will likely have to pay charges for exceeding those limits if you return the vehicle.	You may drive as many miles as you want, but higher mileage will lower the vehicle's trade-in or resale value.
Excessive Wear	Most leases limit wear to the vehicle during the lease term. You will likely have to pay extra charges for exceeding those limits if you return the vehicle.	There are no limits or charges for excessive wear to the vehicle, but excessive wear will lower the vehicle's trade-in or resale value.
End of Term	At the end of the lease (typically two to four years), you may have a new payment either to finance the purchase of the existing vehicle or to lease another vehicle.	At the end of the loan term (typically four to six years), you have no further loan payments.

Adapted from the "Keys to Vehicle Leasing" brochure (in English and Spanish), available from [www.federalreserve.gov/pubs/leasing](http://www.federalreserve.gov/pubs/leasing), or Publications Fulfillment, MS-127, Board of Governors of the Federal Reserve System, Washington, DC 20551, Telephone: (202) 452-3244 or 3245.

# Questions to Ask Car Dealers

## ABOUT SPECIAL DEALER PROMOTIONS:

Does the advertised trade-in allowance apply to all cars, regardless of their condition?

Does a large trade-in allowance make the cost of a new car higher than it would be if you did not have a trade-in?

Is the dealer who offers high trade-in allowances and free or low-cost options actually giving you a better price on the car than another dealer who does not offer such promotions?

Does the dealer's invoice reflect the costs of options, such as rustproofing or waterproofing, that have already been added to your car? What are other dealers charging for these options?

Does the dealer have other cars in stock without expensive added features? If not, can the dealer order one?

Are the special offers available only if you order rather than buying it off the lot?

Can you take advantage of all special offers simultaneously?

## ABOUT LOW-INTEREST DEALER FINANCING:

Will you be charged a higher price for the car to qualify for the low financing?

Does the low-rate financing require a larger-than-usual down payment? Say 25 percent to 30 percent?

Are you required to pay the loan off in a shorter period of time, say 12 or 24 months, to qualify for the low-rate financing? If this is the case, your monthly payments will be higher.

Do you have to buy extra merchandise or services to qualify for the low-rate financing?

Is the financing available for a limited time only, and does it require that you take delivery of the car by a specific date?

Does the low interest rate apply to all cars or only to certain models in stock?

If a manufacturer's rebate is offered, are you required to give it to the dealer to qualify for the financing?



# Three Deals of Car Buying

## DEAL NO. 1: THE PURCHASE

### HOW MUCH CAN YOU AFFORD?

- Total amount
- Down payment
- Monthly amount
- Prepare a spending plan
- Calculate debt-to-income ratio
- Check your credit report

### WHAT TYPE OF CAR SHOULD YOU BUY?

- New or used
- Size and style
- Safety and performance
- Cost to insure

### WHERE SHOULD YOU BUY?

- Dealership
- Private seller
- Internet
- Car-buying service

### WHAT IS A FAIR PRICE?

- Invoice versus MSRP
- Library and Internet
- New and used car cost guides

### EXERCISE YOUR LEGAL RIGHTS

- Read all the contract details
- Do not leave any blanks
- Do not buy unnecessary and unwanted items
- Use the power of the pen
- Have Legal Service Office review the contract before signing
- Take action if you have a complaint

## DEAL NO. 2: THE FINANCING

### WHERE WILL YOU FINANCE?

- Credit unions
- Bank
- Dealership
- Finance companies

### HOW MUCH WILL THE MONEY COST?

- Simple interest
- Add-on interest

### AVOID COMMON PITFALLS

- Know your credit rating
- Know what current interest rates are
- Get pre-approved
- Know the best deal available
- Do not be rushed or pressured

### NEGOTIATE A GREAT DEAL

- Do your homework
- Take your time
- Limit the information you give out
- Shop twins
- Ask for discounts
- Take a road test
- Avoid unnecessary add-ons
- 180-degree Turn

### KNOW THE 'TRICKS OF THE TRADE'

- Put to ride
- Lowballing and highballing
- Bait and switch
- Padding
- Mutt and Jeff routine
- "Your car"

## DEAL NO. 3: THE TRADE-IN

### TRADING VS. SELLING

### WHAT IF YOU OWE MORE THAN THE CAR IS WORTH?

### WHAT IS A FAIR PRICE?

- What is the dealer willing to pay?
- Only negotiate after you are done with your purchase and financing on your new vehicle.

# Chapter 7: Home Buying

For many individuals, home ownership is an important milestone on the road to financial freedom, and home equity is a major contributor to their net worth.

# Five Rules of Buying a House

Buying a house can be a great way to build wealth and feel like part of the community. But it's also a huge financial decision with far-reaching implications. Here are five rules that can help you avoid common pitfalls. Following these rules doesn't guarantee financial success nor does breaking them necessarily doom you to a life of financial woe. Still, it probably won't hurt to keep them in mind as you look for a new house.

## Rule 5: Save for Move-in Expenses

Create a separate "make it mine" account to cover the expenses of decorating and personalizing the house so it's your home when you move in.

## Rule 4: Get Preapproved

Once you have your finances in order and you know how much you can afford, get preapproved before you start shopping. This shows you are a serious buyer and helps keep you from buying more house than you can afford. The type of loan you choose may also influence things like down payments, pre-purchase inspections, and additional insurances. Service members should research a VA home loan, which typically allows a lender to provide you with more favorable terms.

## Rule 3: Know How Much You Can Afford

Once you have a good handle on how much you can budget per month for housing costs, consider using a mortgage calculator to help estimate how much home you can afford. Don't forget to include the property taxes, insurance, homeowners association fees, and repairs mentioned before. You may even want to consider the cost of additional life and liability insurance to help protect your purchase.

This is also a good time to start researching loan options to determine if you will need to make a down payment. If saving up a down payment is difficult, that could be a sign now is not the right time for you to make such a large purchase.

## Rule 2: Review Your Spending Plan

Homebuying doesn't just mean swapping a rent payment for a mortgage payment. There are a lot of additional ongoing expenses to consider like real estate taxes, homeowners insurance, and maintenance. Review your spending plan to know exactly where your money is currently going, so you can budget for the costs associated with a new house. A good guide is to limit your housing expenses to 25% of gross income or your Basic Allowance for Housing (BAH).

## Rule 1: Prepare Your Finances

Buying a home will probably be the most expensive purchase you will ever make, so get your finances in order, first. Start by checking your credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com) and make sure all the information is accurate. It's also a good idea to reduce high interest debt and set aside money for emergencies. A good goal is to save 3 to 6 months' worth of your committed expenses.

# Ten Important Questions to Ask Your Home Inspector

**1. What does your inspection cover?**

The inspector should ensure that the inspection and inspection report will meet all applicable requirements in your state and comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these items ahead of time and ask any questions you may have. If there are any areas you want to make sure are inspected, be sure to identify them up front.

**2. How long have you been practicing in the home inspection profession, and how many inspections have you completed?**

The inspector should be able to provide a professional history and perhaps even a few names as referrals.

**3. Are you specifically experienced in residential inspection?**

Related experience in construction or engineering is helpful but is no substitute for training and experience in the unique discipline of home inspection. If the inspection is for a commercial property, then this should be asked about as well.

**4. Do you offer to do repairs or improvements based on the inspection?**

Some inspector associations and state regulations allow the inspector to perform repair work on problems uncovered in the inspection. Other associations and regulations strictly forbid this as a conflict of interest.

**5. How long will the inspection take?**

The average on-site inspection time for a single inspector is two to three hours for a typical single-family house; anything significantly less may not be enough time to perform a thorough inspection. Additional inspectors may be brought in for very large properties and buildings.

**6. How much will it cost?**

Costs vary dramatically, depending on the region, size and age of the house, scope of services and other factors. A typical range might be \$300 to \$500, but consider the value of the home inspection in terms of the investment being made. Cost does not necessarily reflect quality. The Department of Housing and Urban Development (HUD) does not regulate home inspection fees.

**7. What type of inspection report do you provide and how long will it take to receive the report?**

Ask to see samples. Determine whether you can understand the inspector's reporting style and whether the time parameters fulfill your needs. Most inspectors provide their full report within 24 hours of the inspection.

**8. Will I be able to attend the inspection?**

This is a valuable educational opportunity, and an inspector's refusal to allow this should raise a red flag. Never pass up the opportunity to see your prospective home through the eyes of an expert.

**9. Do you maintain membership in a professional home inspector association?**

There are many state and national associations for home inspectors. Ask to see the inspector's membership ID, and perform whatever due diligence you deem appropriate.

**10. Do you participate in continuing education programs to keep your expertise up to date?**

One can never know it all, and the inspector's commitment to continuing education is a good measure of professionalism and service to the consumer. This is especially important in cases where the home is much older or includes unique elements requiring additional or updated training.

From [www.hud.gov](http://www.hud.gov)



# Interviewing Agents

1. How long have you been selling residential real estate? (Three or four years of full-time activity is generally enough to impart a solid foundation.)
2. Are you a full-time salesperson? (There are some very good part-time agents, but in the absence of a personal referral, go with full-time experience.)
3. Are you a licensed Realtor? (Realtors are well-trained and must conform to a code of ethics.)
4. Do you have access to a Multiple Listing Service (MLS)? (An MLS is a computerized database providing a fast, convenient way to gather useful information about most of the local for-sale homes.)
5. Will you represent me or the seller in the transaction? (Generally, agents represent the seller. However, a buyer's agent represents the buyer. Consider interviewing both types of agents.)
6. Will you give me the names of several people who have bought their homes through you during the past three months? (If yes, call and ask whether the buyers were satisfied. If no, find another agent.)
7. Would you work as a buyer's agent? If so, how would your fee be handled? (Buyer's agent fees are usually included in the purchase price, as are the selling agent fees.)
8. How many buyers are you working with right now? How many sellers?
9. How long will your contract be valid?
10. How familiar are you with my preferred community?
11. How many homes have you sold in the last year?



# Checklist for Financing Your Purchase

- Decide the length of the loan (15-year and 30-year loans are the most common), the type of loan (adjustable-rate and fixed-rate loans predominate) and how much money you qualify for.
- Compare services, interest rates and fees of several lenders before selecting one. A real estate agent can help you find a lender if you are new to town.
- Discuss with your real estate agent and loan officer the current trends in interest rates and the option of locking in a rate for your purchase.
- Complete a mortgage application with a loan officer or online. To complete the application, have at last two paycheck stubs, W-2s, employment information, the last two months' checking and savings account statements and current loan statements.
- Lender requests appraisal of home, survey of property and verifications of your employment, bank balances and credit history.
- Lender gives you a "good faith estimate" showing your expected costs at closing.
- It typically takes two to six weeks for verification letters to be returned and paperwork to be processed.
- A loan officer evaluates your application and the underwriter approves the loan.
- On closing day, you sign the mortgage agreement. The lender pays the closing or settlement agent, and the agent pays the seller.
- You are ready to move in!



# Checklist for Your House Hunt

**ADDRESS** \_\_\_\_\_

**DATE OF VISIT** \_\_\_\_\_

**HOUSE** \_\_\_\_\_

Asking price \_\_\_\_\_

Square footage \_\_\_\_\_

Price per square foot \_\_\_\_\_

FHA/VA financing \_\_\_\_\_

Other financing \_\_\_\_\_

Floor plan \_\_\_\_\_

Number of bedrooms/bathrooms \_\_\_\_\_

On what side does sun rise/set? \_\_\_\_\_

Real estate taxes \_\_\_\_\_

Number of stories \_\_\_\_\_

**SIZE OF ROOMS:**

Bedroom (master) \_\_\_\_\_

Bedroom 2 \_\_\_\_\_

Bedroom 3 \_\_\_\_\_

Bedroom 4 \_\_\_\_\_

Master bath \_\_\_\_\_

Master closet \_\_\_\_\_

Kitchen \_\_\_\_\_

Family dining area \_\_\_\_\_

Formal dining area \_\_\_\_\_

Living \_\_\_\_\_

Family room \_\_\_\_\_

Other \_\_\_\_\_

Year constructed \_\_\_\_\_

Builder \_\_\_\_\_

Parking \_\_\_\_\_

**INTERIOR:**

Appliances \_\_\_\_\_

Attic \_\_\_\_\_

Attic vents \_\_\_\_\_

*Attach other printouts and pictures to this checklist.*

Basement \_\_\_\_\_

Ceiling fans \_\_\_\_\_

Closets \_\_\_\_\_

Electric garage door opener \_\_\_\_\_

Estimated utility costs \_\_\_\_\_  
(ask to see bills)

Fireplace(s) \_\_\_\_\_

Floor covering \_\_\_\_\_

General condition \_\_\_\_\_

Heating/ventilation/central air \_\_\_\_\_

Humidifier \_\_\_\_\_

Insulation \_\_\_\_\_

Kitchen \_\_\_\_\_

Lead-based paints used? \_\_\_\_\_  
(Harmful if ingested, common in older homes)

Plumbing \_\_\_\_\_

Radon levels \_\_\_\_\_

Security system \_\_\_\_\_

Stairs \_\_\_\_\_

Utility room \_\_\_\_\_

Wallpaper \_\_\_\_\_

Walls (check for cracks) \_\_\_\_\_

Window coverings \_\_\_\_\_

Wiring \_\_\_\_\_

**EXTERIOR:**

Deck/porch/patio \_\_\_\_\_

Doors \_\_\_\_\_

Foundation/grading/drainage \_\_\_\_\_

Gutters and downspouts \_\_\_\_\_

Landscaping \_\_\_\_\_

Lot size \_\_\_\_\_

Pavement condition \_\_\_\_\_

Roof \_\_\_\_\_

Septic system \_\_\_\_\_

Siding materials \_\_\_\_\_

Sprinkler system \_\_\_\_\_

Swimming pool/hot tub \_\_\_\_\_

Trees \_\_\_\_\_

Windows (single/double paned) \_\_\_\_\_

**NEIGHBORHOOD:**

Security \_\_\_\_\_

Snow removal \_\_\_\_\_

Susceptibility to flood, earthquake, etc. \_\_\_\_\_

Traffic \_\_\_\_\_

Trash removal \_\_\_\_\_

Accessibility during inclement weather \_\_\_\_\_

Adjacent property (its zoning, owner[s], and intended use) \_\_\_\_\_

Airports \_\_\_\_\_

City services \_\_\_\_\_

**DRIVE TIME TO:**

Work \_\_\_\_\_

Schools \_\_\_\_\_

Shopping \_\_\_\_\_

Church \_\_\_\_\_

Major highways \_\_\_\_\_

Entertainment/culture \_\_\_\_\_

Landfills \_\_\_\_\_

Near hazardous/noxious activities? \_\_\_\_\_

**NOISE:**

Airport \_\_\_\_\_

Freeway \_\_\_\_\_

Railroad tracks \_\_\_\_\_

Neighbors/pets \_\_\_\_\_

**OTHER:**

Overall appearance \_\_\_\_\_

Percent houses for sale and rent in area \_\_\_\_\_

Police/fire \_\_\_\_\_

Power lines \_\_\_\_\_

Privacy \_\_\_\_\_

Restrictions \_\_\_\_\_  
(e.g., satellite dishes, outbuildings)

Public transportation \_\_\_\_\_

**SCHOOL DISTRICT:**

Day care \_\_\_\_\_

Elementary \_\_\_\_\_

Middle school \_\_\_\_\_

Junior high \_\_\_\_\_

Senior high \_\_\_\_\_

**GENERAL:**

Affordability \_\_\_\_\_

Investment value \_\_\_\_\_

## Resources

[www.homeloans.va.gov](http://www.homeloans.va.gov) (Veterans Affairs Loan Guaranty Home Loan Program)



[www.hud.gov](http://www.hud.gov) (U.S. Department of Housing and Urban Development)

[www.ffsp.navy.mil](http://www.ffsp.navy.mil) (Fleet and Family Support Center)  
[www.ourfamilyplace.com](http://www.ourfamilyplace.com) (Our Family Place Resource Center)

[www.saveandinvest.org](http://www.saveandinvest.org) (military investor education)

# Figuring Your Monthly Payment

Interest Rate	Interest Rate Factor (per \$1,000 financed)	
	15 Years	30 Years
3.0%	\$6.91	\$4.22
3.5%	\$7.15	\$4.49
4.0%	\$7.40	\$4.77
4.5%	\$7.65	\$5.07
5%	\$7.91	\$5.37
5.5%	\$8.17	\$5.68
6%	\$8.44	\$6.00
6.5%	\$8.71	\$6.32
7%	\$8.99	\$6.66
7.5%	\$9.27	\$6.99
8%	\$9.56	\$7.34
9%	\$10.14	\$8.05
10%	\$10.75	\$8.78



## Helpful Websites with Information and Calculators:

[www.homeloans.va.gov](http://www.homeloans.va.gov)

[www.hud.gov](http://www.hud.gov)

<https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Housing>

# **Chapter 8: Wealth Building: Saving and Investing/ Retirement Planning**

**Becoming a Million Dollar Sailor on a military paycheck is an attainable goal. In order to have our money earn more money and help us reach this goal faster, we must save, invest and plan for retirement.**

# The Need for Savings

A critical component to getting out of debt is to have an emergency fund available when unexpected expenses occur. An emergency fund serves as a financial “safety net” and helps eliminate the need to borrow more money and sink further into debt. The Debt Destroyer program suggests that you quickly accumulate at least \$1,000 in a savings account as soon as possible. Here are a few tips to help you build your emergency fund.

- Pay yourself first. Establish an allotment or bank transfer to set aside money each paycheck.
- Consider selling unused household items online or through a garage sale.
- Explore adding another source of income either with a second job (with command approval) or spouse employment.
- Research adjusting your federal tax withholding to receive more money per paycheck. If you typically receive a large income tax refund, adjusting your withholding could increase your take home pay. However, be careful not to take this strategy too far, and end up owing taxes when you file. Visit the IRS Withholding Calculator to see how this strategy may work for your situation.  
***<https://www.irs.gov/individuals/tax-withholding-estimator>***
- Skip one month of TSP or 401(k) contributions to jump start your emergency fund. A little extra money could be exactly what you need to create a cash cushion. Be careful with this strategy, since you will likely miss out on free employer matching contributions. Reducing your retirement contributions can negatively impact your financial future and should only be used on a short-term basis.
- Seek a one-month deferral on your auto loan payment. Some lenders will allow a loan payment to be deferred without negatively impacting your credit score. However, the interest continues to accumulate on the loan balance and this strategy could create negative equity, meaning your loan obligation is higher than the vehicle is worth.

If you need additional assistance, please speak with a Personal Financial Manager or Command Financial Specialists on your installation.

# Military Retirement

## Planning for Retirement

The military offers great retirement benefits, including the Thrift Savings Plan (TSP) and a pension if you serve long enough. The exact benefit you'll receive from each of these programs depends on whether you're covered under the Legacy (also called the "High-3") or Blended Retirement System (BRS).

### The Legacy "High-3" Retirement System

#### Key Features:

- For Service members who first entered Active Duty after September 8, 1980, but before January 1, 2018.
- Typically requires 20 years of Active Duty service to qualify for retirement pay (pension).
- Reserve members must complete 20 qualifying years and attain age 60 (or earlier based on qualifying active service).
- The TSP is available and is funded only by Service member contributions.

#### Calculating the Monthly Pension:

$$2.5\% \times \begin{array}{|c|} \hline \text{Years} \\ \hline \text{Served} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Retired Pay Base} \\ \hline \end{array}$$

#### Examples:

Enlisted:  $2.5\% \times 20 \times \$4,900 = \$2,450$  per month  
Officer:  $2.5\% \times 20 \times \$9,400 = \$4,700$  per month

*\*Reserve members divide accumulated retirement points by 360 for "Years Served," assuming they have earned enough qualifying years towards retirement.*

### Blended Retirement System (BRS)

#### Key Features:

- For Service members who first entered Active Duty after January 1, 2018, or opted into BRS.
- Typically requires 20 years of Active Duty service to qualify for retirement pay (pension).
- Reserve members must complete 20 qualifying years and attain age 60 (or earlier based on qualifying active service) with no break in service.
- The TSP is available and is funded by Service member contributions plus automatic and potential matching contributions from your military branch.
- Offers both Continuation Pay and a lump-sum option.

#### Calculating the Monthly Pension:

$$2.0\% \times \begin{array}{|c|} \hline \text{Years} \\ \hline \text{Served} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Retired Pay Base} \\ \hline \end{array}$$

#### Examples:

Enlisted:  $2.0\% \times 20 \times \$4,900 = \$1,960$  per month  
Officer:  $2.0\% \times 20 \times \$9,400 = \$3,760$  per month

*\*Reserve members divide accumulated retirement points by 360 for "Years Served," assuming they have earned enough qualifying years towards retirement.*

## Survivor Benefits

Once qualified, you will receive retirement pay for life. The amount is periodically adjusted to the cost-of-living index. Upon your death, your spouse or other eligible beneficiary(ies) may receive payments only if you arrange it through the Survivor Benefit Plan (SBP) before you retire.



## Four Unique Elements of BRS

### 1. Branch of Service Contributions to the Thrift Savings Plan

The TSP is a defined contribution plan, like a civilian 401(k). For BRS participants, it is funded with a combination of Service member contributions plus automatic and potential matching contributions from your military branch.

- **Automatic Contributions:** Your branch of service automatically contributes the equivalent of 1% of your basic pay to your TSP account each pay period beginning after 60 days of service. Automatic contributions vest (meaning the money is yours to take with you when you leave the military) after two years of service.
- **Matching Contributions:** After two years of service, your military branch will begin matching your contributions to the TSP as outlined in the chart below. Matching contributions vest immediately.

(Roth and/or Traditional)	Coast Guard Automatic (1%) Contribution (Traditional)	Coast Guard Matching Contribution (Traditional)	Total Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
More than 5%	1%	4%	Your Contribution + 5%

### 2. Automatic TSP Enrollment

As of October 1, 2020, all BRS participants are automatically enrolled in the TSP at a 5% contribution level. Service members are permitted to reduce or increase this contribution amount. The maximum annual contribution, known as the IRS Elective Deferral Limit, IRC 402 (g) is \$20,500 in 2022\*. Those deployed to a combat zone are permitted to contribute substantially more: up to \$61,000 in 2021\*. An additional catch-up contribution up to \$6,500 is also permitted for those age 50 and older. Service member contributions are always vested immediately.

*\*Subject to change annually*

### 3. Continuation Pay

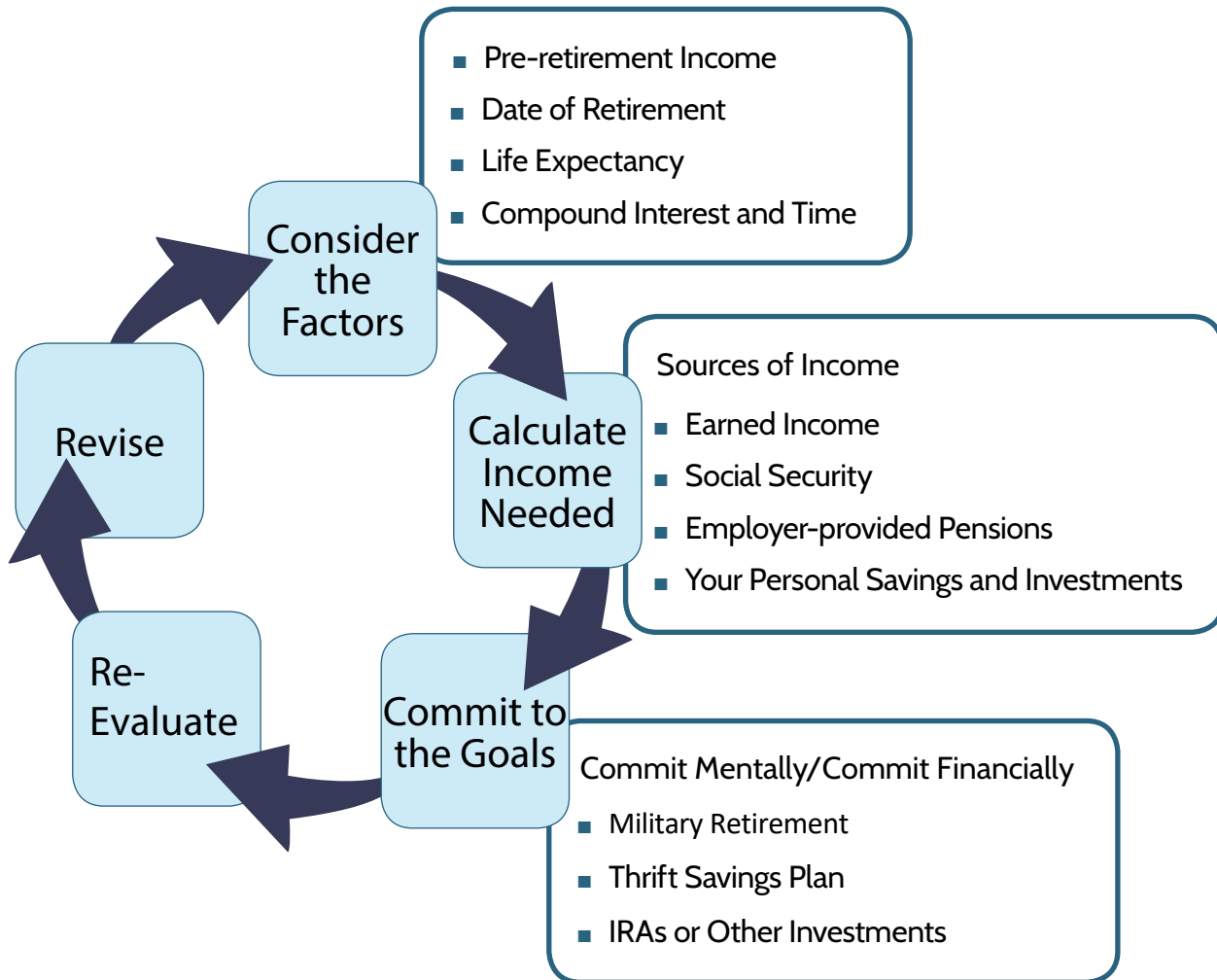
Continuation Pay is a one-time, mid-career payment in exchange for additional service. Depending on the needs of your branch of service, it can be 2.5 to 13 times your monthly basic pay for Active Duty or 0.5 to 6 times your monthly basic pay (as if on Active Duty) for Reserve members. This one-time payment is in addition to any other career field-specific incentives or retention bonuses.

### 4. Lump-Sum Option

The lump-sum option gives you choices at retirement. You can choose to receive a 25% or 50% discounted portion of your monthly pension benefit in exchange for a lump-sum payment at retirement. Your pension reverts to the entire amount at the Social Security age of full retirement, which for most is 67. You must notify your human resources servicing office no less than 90 days before retirement if you choose to take the lump-sum option.

# Planning for Your Retirement

## Five Basic Steps to Take Command of Your Future



### SOURCES OF HELP:

- Command Financial Specialist
- FFSC financial counselor

### Retirement Calculators

- <https://militarypay.defense.gov/Calculators/>
- [https://tools.finra.org/retirement\\_calculator/](https://tools.finra.org/retirement_calculator/)

# Compound Interest and Time

(Rate of Return=10%)

Age	PLAN A		PLAN B		PLAN C		PLAN D	
	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	

# Basic Investing

## What Is Investing?

**In simple terms, investing is using money to try to make a pro fit or produce income.** It's similar to savings in that both involve setting aside money for the future. However, investing is different than savings in that it exposes your money to risk in hopes of earning substantially greater returns. While saving is usually prudent for shorter-term needs, investing is often more appropriate for longer-term goals.

## The Power of Compound Interest (Earnings)

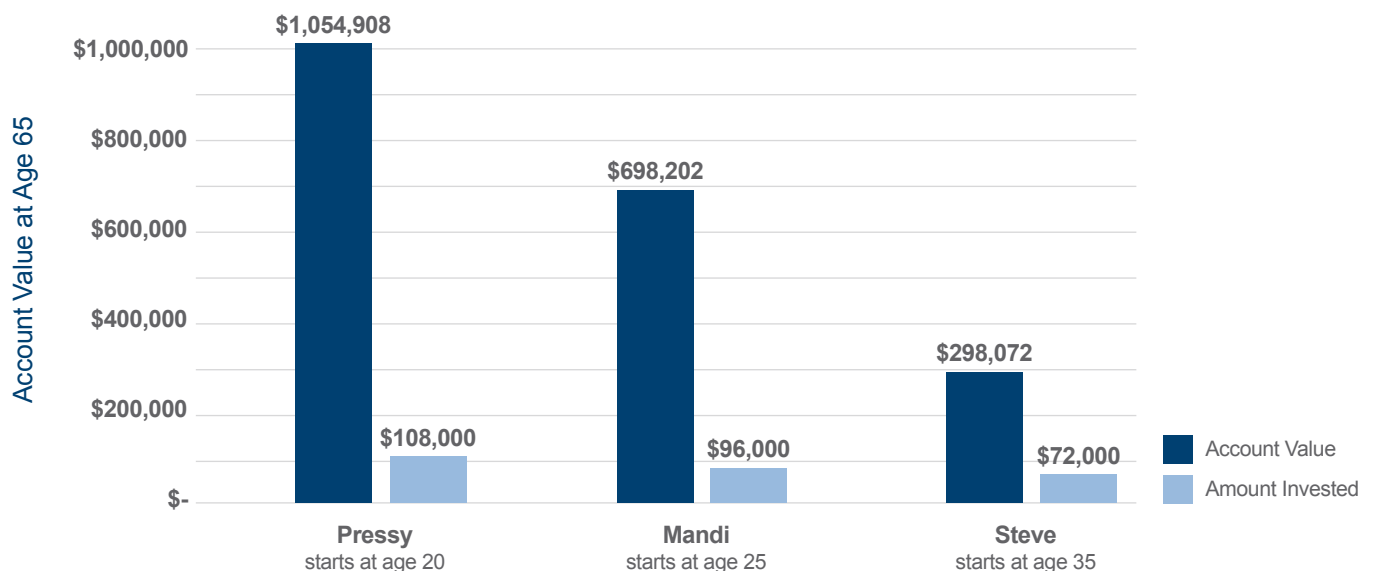
Compound interest is the cycle of earning interest on interest, or earnings on earnings. And the longer you have to let it play out, the better.

Let's assume Pressy, Mandi and Steve all want to retire at age 65, they each can invest \$200 per month, and they each earn an average annual return of 8% on their investments. Let's further assume though, that they get started at different times. Pressy begins investing at age 20, Mandi at age 25, and Steve at age 35.

The chart below shows the difference in how much they each invest compared to how much they have in the end. This is why it's so important to get started early.

## The Benefits of Starting Early

\$200 per Month Invested Earning 8% Annual Return\*



\*Hypothetical return for illustrative purposes only. Not guaranteed.

## Three Good Reasons to Invest!

### 1. Potential for higher returns

Investing involves risk and you could lose money. Returns are not guaranteed, but investing gives you the chance to earn higher returns. The larger your returns, the more money you'll have in the future.

### 2. Achieving long-term goals

Savings alone might not allow you to accumulate enough to reach your goals. Investing those same dollars can increase those chances, or at least position you to accumulate more money over time.

### 3. Inflation

Simply put, things become more expensive over time. This is called inflation and it means your long-term goals will cost more than they do today. Investing offers the potential to keep up with, and possibly even outpace, inflation.

## Basic Types of Investments

**Equities** — An equity — also known as stock — represents ownership in a company. Companies sell stock to raise money to fund their business. The purchase of a stock makes you a shareholder in the company. Company value may go up or down, affecting the stock price. As a result, the stock may be sold at a profit or loss. Companies may also distribute profits by giving shareholders periodic payments called dividends.

**Bonds** — A bond represents a loan made by an investor to a borrower, typically a business or government entity. The borrower promises the debt will be paid back with interest at a specific time. Bonds are typically issued by companies, municipalities, states, and sovereign governments to finance projects and operations.

**Cash** — Cash and cash equivalents like savings accounts, money markets, and certificates of deposit (CDs) are meant to be low-risk and accessible. Their returns tend to be lower than equities and bonds because they are less risky. This typically makes cash a poor choice for long-term goals because many of them won't even keep up with inflation.



**Note About Risk:** Each investment has a different level of risk. Generally speaking, the riskier the investment, the greater the potential for gain or loss. It is important to know your own comfort level, called risk tolerance. Choose investments that line up with your risk tolerance, goals, and time horizon, which means when you expect to use the money with inflation.

## Understanding Investment Funds

Mutual funds and exchange-traded funds are groups of investments bundled together. Different combinations of equities, bonds, and cash serve as building blocks for thousands of investment funds. Professional portfolio managers decide on the fund mix for a specific investing purpose such as index-tracking, growth or income.

**Mutual Funds** — A mutual fund is made up of money collected from many investors to purchase investments like cash, bonds, stocks and other assets. They are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds do not trade on the exchange, but rather the underlying assets do. Fund value is determined at the close of the trading day.

**Exchange-Traded Fund (ETF)** — An ETF, or exchange-traded fund, is an investment that tracks a particular set of equities, similar to an index. It's similar to a mutual fund but trades just as a normal stock would on an exchange, and its price adjusts throughout the day rather than at market close. ETFs can track stocks in a single industry, such as energy, or an entire index of equities like the S&P 500.

## Helpful Strategies for Investing



### Dollar Cost Averaging

- Investing a set amount of money on a regular basis, whether the market is moving up or down.
- This strategy spreads investment risk over time — when prices are high, you buy fewer shares and when prices are low, you buy more shares.
- There is no protection against losses when the market declines.
- Try to invest continuously, even when the market is down.



### Invest for the Long Term

- Be patient and give your investment portfolio time to grow and compound, increasing the likelihood that you will reach your financial goals.
- Use time, not timing. No one can accurately predict market fluctuations. Begin investing early and regularly.



### Facts Over Emotion

- Investing success requires patience, determination and knowledge. Don't let the latest news or other short-term variables influence your investment decisions.
- Use facts to guide your decisions. Educate yourself through reputable business periodicals, books and websites.



### Diversify

- Don't put all your eggs in one basket. In investment terms, this means your portfolio should have a wide variety of investments in an effort to reduce risk.
- Investing in unrelated assets provides an average return of all choices, rather than relying on the return of just one investment.



### Beware of Risky Investments

- Stay away from futures, commodities, and other risky investment strategies – at least until you have an established and diversified portfolio.
- Educate yourself and be sure to understand the risk of these types of investments. If used, they should only take up a small portion of your overall portfolio.



### Avoid Chasing Performance

- Investment asset categories tend to move in cycles. The high-performing investment this year could show poor returns in future years.
- Remember, you are investing for the long term. Chasing performance can lead to recurring losses over time.



### Evaluate your Investment Plan

- Review your investment plan at least annually or at times of significant life events.
- If necessary, rebalance your portfolio to ensure your mix of investments aligns with your goals, risk tolerance, and time horizon.

## Resources:



[www.investor.gov](http://www.investor.gov)

[www.sec.gov](http://www.sec.gov)

[www.mymoney.gov](http://www.mymoney.gov)

[www.dol.gov](http://www.dol.gov)

[www.finra.org](http://www.finra.org)

# Thrift Savings Plan

## Plan Overview

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees and uniformed Service members. It can provide you an additional source of retirement funds even if you don't retire from the military.

## Description and Benefits

- Similar to a civilian 401(k) with individual accounts
- Service members contribute via voluntary payroll deductions
- Service member contributions and associated earnings are always theirs to keep
- Service member contributions can be pretax (Traditional) or after-tax (Roth) but are pretax by default
- Earnings and growth are tax-deferred
- Multiple investment options from conservative to aggressive
- Administrative and investment fees are very low compared to other retirement plans
- Multiple withdrawal options are available at retirement (typically age 59½)
- Beneficiary receives balance at participant's death



## Participation Rules

- All Service members are eligible to participate in the TSP
- Service members can contribute up to 100% of base pay, special pay, and bonus pay up to a maximum annual contribution amount (\$19,500 in 2020, and \$57,000 in 2020 if in a tax-free combat zone).

## Blended Retirement System Unique Features

- Participants are automatically enrolled in TSP at contribution level of 5% of base pay (can be changed)
- Participants are eligible for service-provided automatic and matching contributions (all pretax, Traditional)
- Service-provided automatic contributions vest (become the property of the Service member) after two years of service

	Traditional	Roth
<b>Contributions</b>	Pretax	After-tax
<b>Take-home Pay</b>	Taxes are deferred, so less money is taken out of your paycheck	Taxes are paid up front, so more money comes out of your paycheck
<b>Transfers In</b>	Transfers allowed from eligible employer plans and traditional IRAs	Transfers allowed from Roth 401(k), Roth 403(b) and Roth 457(b) accounts
<b>Transfers Out</b>	Transfers allowed to eligible employer plans, traditional IRAs and Roth IRAs, after separation	Transfers allowed to Roth 401(k), Roth 403(b), Roth 457(b) and Roth IRA accounts, after separation
<b>Withdrawals After Separation</b>	Taxable when withdrawn. A 10% penalty may also apply if under age 59½ and certain criteria are not met.	Contributions are tax-free when withdrawn. Earnings are tax-free if withdrawn after 59½ and it has been five years since January 1 of the year you made your first Roth contribution, or you are permanently disabled or deceased. A 10% penalty may also apply if under age 59½ and certain criteria are not met.

## Investment Options

	G Fund	F Fund	C Fund	S Fund	I Fund	L Funds*
Description of Investments	Government securities (specially issued to the TSP)	Government, corporate, and mortgage-backed bonds	Stocks of large and medium-sized U.S. companies	Stocks of small to medium-sized U.S. companies (not included in the C Fund)	International stocks of more than 20 developed countries	Invested in the G, F, C, S, and I Funds
Objective of Fund	Produce a rate of return higher than inflation while avoiding exposure to credit (default) risk	Match the performance of the Bloomberg Barclays U.S. Aggregate Bond Index	Match the performance of the Standard & Poor's 500 (S&P 500) Index	Match the performance of the Dow Jones U.S. Completion Total Stock Market Index	Match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index	To provide professionally diversified portfolios based on various time horizons, using the G, F, C, S, and I Funds
Risk	Inflation risk	Market risk, credit risk, prepayment risk, inflation risk	Market risk, inflation risk	Market risk, inflation risk	Market risk, currency risk, inflation risk	Exposed to all of the types of risk to which the individual TSP funds are exposed but total risk is reduced through diversification among the five individual funds
Volatility	Low	Low to moderate	Moderate	Moderate to high — historically more volatile than C Fund	Moderate to high — historically more volatile than C Fund	Asset allocation shifts as time horizon approaches to reduce volatility
Types of Earnings**	Interest	Change in market prices Interest	Change in market prices Dividends	Change in market prices Dividends	Change in market prices Change in relative value of currency Dividends	Composite of earnings in the underlying funds
Total Expenses as of 12/31/2019***	0.043%	0.046%	0.043%	0.060%	0.049%	0.043% - 0.047%
Inception Date	04/01/87	01/29/88	01/29/88	05/01/01	05/01/01	08/01/05

Source: [tsp.gov/funds-individual/](https://tsp.gov/funds-individual/) and [tsp.gov/funds-lifecycle](https://tsp.gov/funds-lifecycle)

\* Each of the L Funds is invested in the individual TSP funds (G, F, C, S, and I). The proportion of your L Fund balance invested in each of the individual TSP funds depends on the L Fund you choose.

\*\* Income from interest and dividends is included in the share price calculation. It is not paid directly to participants' accounts.

\*\*\* Net expenses are offset by the forfeitures of Agency/Service Automatic (1%) contributions of FERS and BRS participants who leave Federal Service before they are vested, other forfeitures, and loan fees.



## Loans

Under certain circumstances, you can borrow from your TSP account. Check [www.tsp.gov](http://www.tsp.gov) for details.

## TSP Resources

- TSP website: [www.tsp.gov](http://www.tsp.gov)
- TSP Thriftline: **1-TSP-YOU-FRST** (1-877-968-3778)
- YouTube: *TSP4gov*
- Twitter: *@tsp4gov*
- Defense Finance and Accounting Service (DFAS): [www.dfas.mil](http://www.dfas.mil) - search “TSP”.

## Glossary of TSP Terms

- **After-tax Contributions** — Contributions made from Service member pay that has already been taxed (i.e. Roth)
- **Asset Allocation** — The strategy of dividing investments among multiple asset classes such as stocks, bonds, cash and subcategories of each in an attempt to control risk by diversifying one’s holdings
- **Automatic Contributions** — Contributions made by each branch of service to the TSP accounts of Service members covered under the Blended Retirement System. Contributions begin after 60 days of service and equal 1% of the Service member’s basic pay each pay period. See “vesting” for additional, related information.
- **Automatic Enrollment** — Automatic participation in the TSP by Service members covered under the Blended Retirement System through which 5% of their basic pay is contributed to their TSP account each pay period
- **Beneficiary** — The individual(s) or entity(ies) that receive your TSP account balance (or a portion of it) at your death
- **Bond** — A debt security issued by a government entity or corporation to an investor from whom it borrows money
- **Catch-up Contributions** — Contributions by participants in excess of the basic annual deferral limit which are available only to those 50 or older. The IRS sets the limit on these contributions annually.
- **Contribution** — A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her branch of service
- **Currency Risk** — The risk that the value of a currency will rise or fall relative to the value of other currencies
- **Index** — A hypothetical investment portfolio that represents an investment market or a segment of it
- **Inflation Risk** — The risk that inflation will reduce the future purchasing power of an investment
- **Market Risk** — The risk of a financial loss caused by declines in investment markets
- **Matching Contributions** — Branch of service contributions, up to a certain limit, made to TSP accounts of participants who have also contributed their own money
- **Prepayment Risk** — The risk that bonds will be paid back early as a result of falling interest rates, thus forcing investors to reinvest at lower rates.
- **Pretax Contributions** — Contributions of pay that have not yet been taxed. All employee contributions to a TSP Traditional account are made pretax.
- **Securities** — Investments that can be bought and sold through various markets
- **Stocks** — Equity securities issued as ownership in a publicly held corporation
- **Vesting** — The time in service a TSP participant must have in order to keep automatic contributions and earnings

# The Thrift Savings Plan (TSP)

## Wealth-Building Made Easy

The TSP is a retirement savings and investment plan. It can provide 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, similar to a 401(k)
- Individual accounts
- Automatic payroll deductions
- All contributions and earnings belong to the owner
- Contributions are made with pre-tax dollars
- Earnings are tax-deferred or tax-free depending on the type of TSP plan (i.e., traditional or Roth)
- Multiple fund investment options
- Minimal administrative and investment costs
- Multiple withdrawal options once you reach retirement age



### PARTICIPATION RULES:

- Open to federal employees and uniformed service members
- Can join at any time
- Can contribute up to 100 percent of base pay each year up to a maximum annual contribution (\$20,500 in 2022; \$61,000 in a tax-free zone)

TREATMENT OF...	TRADITIONAL	ROTH
Contributions	Pre-tax	After-tax
Take-home Pay	Taxes are deferred, so less money is taken out of your paycheck	Taxes are paid up front, so more money comes out of your paycheck
Transfers In	Transfers allowed from eligible employer plans and traditional IRAs	Transfers allowed from Roth 401(k)s, Roth 403(b)s and Roth 457(b)s
Transfers Out	Transfers allowed to eligible employer plans, traditional IRAs and Roth IRAs	Transfers allowed to Roth 401(k)s, Roth 403(b)s and Roth 457(b)s and Roth IRAs
Withdrawals	Taxable when withdrawn	Tax-free earnings if five years have passed since Jan. 1 of the year you made your first Roth contribution, and you are age 59½ or older, or you are permanently disabled or deceased.

Source: Summary of the Thrift Savings Plan, September 2015.

# 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 results and information to which they never had access. Online trading provides instant access to accounts and near-instantaneous executions of trades. In this fast-moving environment, users must exercise caution, know the 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:

1. Be your own watchdog. The Internet is vast, and regulatory resources are limited.
2. Question all advice.
3. Always consult other resources in addition to the Internet.
4. Do your own homework. Do not 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 and Exchange Commission (SEC) offers these tips:

1. Before you trade, know why you are buying or selling and the risk of your investment.
2. Know how trading changes during fast markets and take additional steps to guard against the typical problems investors face in these markets.
3. Know your options for placing a trade if you are unable to access your account online.
4. If you place an order, do not assume it did not 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. 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

1. Be sure to comparison-shop for a financial professional, as you would for any other service. Financial professionals include:
  - a. Financial planners and advisers (CFP, CFA, PFS)
  - b. Insurance agents and brokers (CLU, ChFC)
  - c. Tax preparers and enrolled agents
  - d. Certified Public Accountants (CPA)
  - e. Attorneys (e.g., tax, estate)
  - f. Bankers
  - g. Real estate agents and brokers

Financial professionals get paid for their services in a variety of ways: commissions, fees or 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 to whom I could speak?
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.

# Estate Planning

## Why Do I Need an Estate Plan?

Many people think estate planning is only for the wealthy. However, if you have children, investments, property, life insurance, a car, or any belongings, you need a plan. An estate plan helps your loved ones navigate a difficult time and provides answers to important questions such as:

- To whom do you want to pass your personal possessions and property?
- How should assets like savings, real estate, investments, and insurance proceeds be used if you are incapacitated or dead?
- Who will care for your children?
- Who will oversee your finances and health care options if you are unable to?

## Basic Estate Planning Documents



- **Last will and testament** — This legal document outlines who should receive assets, act as guardian for any minor children, and name an executor to watch over the process as your wishes are carried out.
- **Power of attorney (POA)** — This legal document gives one person the authority to act on your behalf on legal or financial matters, if you become unable to handle your own affairs. You may choose between a general power of attorney or a special (limited) power of attorney.
- **Living will (advanced medical directive)** — In case of a serious injury or terminal illness, this legal document allows you to describe which medical treatments you do and do not want.
- **Medical power of attorney** — This document allows you to appoint someone to make health care decisions on your behalf, should you become incapacitated.
- **Testamentary/non-testamentary trust** — A legal document used to manage or protect assets and provide privacy, tax planning, and financial benefits for multiple beneficiaries, including children. Trusts also help to avoid the delays and costs of probate court. Those wishing to place assets in a trust are strongly advised to work with an attorney who specializes in estate planning.

## Additional Documents



- **Letter of Instruction** — This is not a formal legal document, but typically outlines instructions, requests and important personal or financial information that you wouldn't typically include in your will. Use it to convey your wishes for things you hope will be done.
- **Family Care Plan** — A family care plan guides caregivers by providing important details about child care, school, medical care and family activities. Service members are required to have an official family care plan and keep it updated.
- **DD Form 93, Record of Emergency Data** — This document records your wishes about several critical issues, including the following:
  - How and to whom applicable entitlements are to be distributed if you die
  - Person Authorized to Direct Disposition (PADD) of your remains if you die
  - Next of kin to be notified in an emergency

## Additional Considerations



- **Beneficiaries** — A beneficiary is a person or legal entity who will receive benefit in the event of your death. Servicemembers' Group Life Insurance, the Thrift Savings Plan (TSP), the death gratuity program, and Arrears of Pay (AOP) all require you to name a beneficiary.
- **Survivor benefits** — If you die because of an injury or illness incurred or aggravated during your service, your survivors may be entitled to benefits from the Department of Defense and the Department of Veterans Affairs (VA). They may also be entitled to Social Security benefits.
- **Funeral and burial arrangements** — Including funeral and burial arrangements in your estate plan ensures your final wishes are carried out. Your family is also eligible to receive funeral and burial benefits through the VA and Social Security Administration. Contact each of these programs for more information.

## Resources:



- **Armed Forces Legal Assistance Legal Services Locator:** The legal services locator (<https://legalassistance.law.af.mil>) is an online tool for finding the nearest legal assistance office where you can consult with an attorney.
- **Defense Finance and Accounting Services:** DFAS ([www.dfas.mil](http://www.dfas.mil)) administers the Survivor Benefit Plan and the Reserve Component Survivor Benefit Plan.
- **Military funeral honors:** The Department of Defense provides military funeral honors to family members of eligible veterans. More information is available at [www.cem.va.gov/military\\_funeral\\_honors.asp](http://www.cem.va.gov/military_funeral_honors.asp).
- **MyPers:** Verify that your Virtual Record of Emergency Data (VRED) is up to date.
- **Servicemembers' Group Life Insurance:** Information on life insurance options, coverage amounts, costs, and more is available online at [www.benefits.va.gov/insurance](http://www.benefits.va.gov/insurance). SGLI/FSGLI updates can be made online via the SGLI Online Enrollment System (SOES). To access SOES, sign in at <https://milconnect.dmdc.osd.mil/milconnect/> and go to the "Benefits" tab, Life Insurance, and SOES-SGLI Online Enrollment System.
- **Thrift Savings Plan (TSP):** Verify that designated beneficiaries of your TSP account are current. Changing beneficiaries (or proportions of TSP allotted to them) requires submission of Form TSP-3. See [tsp.gov/PlanParticipation/AccountManagement/beneficiaries.html](https://tsp.gov/PlanParticipation/AccountManagement/beneficiaries.html) and <https://www.tsp.gov/forms/tsp-3.pdf>.
- **VA survivor benefits:** The VA survivors' benefits website ([va.gov/opa/persona/dependent\\_survivor.asp](http://va.gov/opa/persona/dependent_survivor.asp)) outlines the benefits provided to survivors of Service members and veterans who are deceased or totally and permanently disabled by a service-connected disability.
- **Direct Access (Coast Guard):** Verify emergency data is up to date.

# **Chapter 9: Banking and Financial Services**

**Anyone who receives a paycheck has a need for banking and financial services. One of the first decisions new military members have to do is choose a credit union or bank for their direct deposit of their military pay. Properly maintaining your financial accounts is the first step in establishing a credit history.**

# Military Banking

## Overview

Choosing a bank or credit union is a matter of personal preference. However, it's also important to select a financial institution that can meet the unique needs of military life, like frequent moves and deployments. Switching banks or credit unions can be disruptive and time consuming, so it's important to select one that meets your needs and keeps you on track throughout your military service.

## Banking Basics

### Banks



- For-profit institutions
- Tend to be larger than credit unions and offer a wide variety of services
- Generally charge higher interest rates on loans than credit unions and pay lower interest on deposit accounts

### Credit Unions

- Nonprofit institutions
- Members are required to be a part of a specific group for eligibility
- Tend to be smaller than banks and may not offer as many services as a result
- Generally charge lower interest rates on loans than banks and pay higher interest on deposit accounts

## Things to Consider

- **Convenience** — Are ATMs and branch locations easily accessible?
- **Fees** — What charges are associated with the type of banking you plan to do?
- **Deposits** — What interest rate is paid to you for the deposits?
- **Balances** — Are there minimum balance requirements?
- **Special Programs** — Are there any special services for Service members?
- **Mobile Services** — What mobile applications and online services are available?

### Account Types



- Checking
- Savings
- Money Market
- Certificates of Deposit
- Loans
- Credit cards

### Services

- Interest on deposits
- Automated Teller Machines (ATMs)
- Online and mobile banking
- Cashier's checks
- Deposit insurance
- Overdraft protection
- Automatic and web bill pay
- Wire and Electronic Funds Transfer

## Banking Fees

See below for a few common banking fees. Please note, additional fees and charges may apply.

- ATM withdrawal fees
- Overdraft or non-sufficient funds (NSF) fees
- Loan interest and origination fees
- Monthly service charges
- Low or minimum balance fees
- Usage fees
- Online banking



## Online and Mobile Banking

While conducting financial transactions online is common and convenient, be aware of potential risks including theft and fraud. You can reduce some of this risk by safeguarding your personal data and account information. Avoid public computers and unsecured WiFi access points. Also, regularly update your device's software and ensure the security settings are up to date. Review your accounts often for unauthorized transactions.

## Credit and Debit Cards

**Credit cards** allow you to borrow money, up to a certain limit, to purchase goods or services. They can be a great tool. They can also get you into trouble if misused. Interest charges are typically high and are added to your balance, making it difficult to get ahead. You should strive to pay your entire balance each month.

**Debit cards** withdraw funds directly from your checking or savings account. Because of this, you'll need to track your account balance to make sure you have enough money in the account to cover your spending. You should also take care to protect your debit card because if it's stolen your entire account balance can be at risk until the situation is remedied by your financial institution.

## Account Statements

Bank statements provide a lot of information. If you write checks, you'll want to compare your statement to your check registry, to make sure they match. The same applies for debit card purchases and transactions. Be sure to reconcile your transactions to your account activity. Also, when writing checks, remember that it may take some time for the money to be deducted from your account. Mistakes can happen, so be vigilant as you review your accounts. If you find an error, contact your financial institution immediately. As you work to resolve the issue, keep a record of your communications including names, dates and details of the interactions.

Some of the common errors you may encounter include:

- Check amounts do not match your registry
- Unauthorized withdrawals and charges
- Math errors
- Incorrect transaction dates
- Incorrect fees

### Additional Resources:



Contact your financial institution first if there is an issue with your account. If the issue does not get resolved, seek additional assistance from the following resources:

Office of the Comptroller  
of the Currency (OCC)  
[www.HelpWithMyBank.gov](http://www.HelpWithMyBank.gov)  
(800) 613-6743

National Credit Union  
Administration (NCUA)  
[www.ncua.gov](http://www.ncua.gov) or  
[www.mycreditunion.gov](http://www.mycreditunion.gov)

Federal Trade Commission (FTC)  
[www.consumer.ftc.gov](http://www.consumer.ftc.gov)



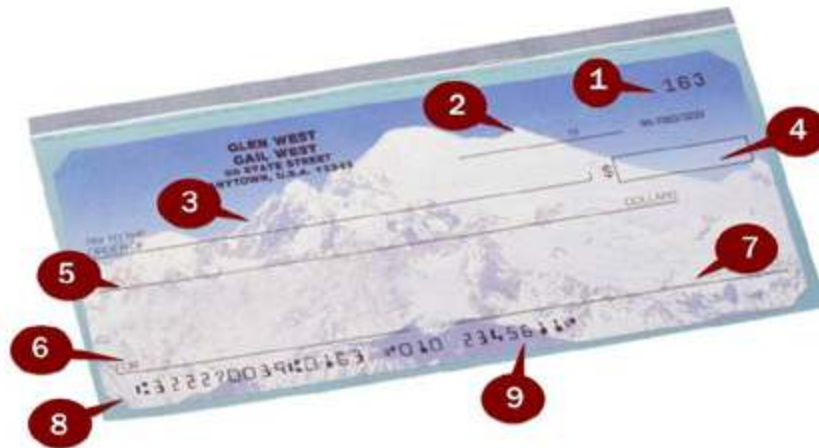
# Checks 101

## WHAT IS A CHECK?

A check is a promise to pay. It is a guarantee that there is enough money in your checking account to cover the amount of the check. A check is a legal document, and writing a check without money in the bank to back it up is illegal.

## COMPLETING A CHECK

This may seem like basic information about writing a check, but in fact, many written checks are not properly completed. Mistakes and incomplete information can lead to problems. They may even make it possible for someone to take the check and alter the amount.



**1. Check Number:**

Be sure you record the same check number in the register.

**2. Date:** Always date the check for the day it is written.

A “postdated” check is one that is dated with a future date. In many states, a postdated check can be used immediately despite the later date that is written on it. If you have an agreement to the contrary, make sure it is in writing and signed by the party to whom you issued the check. Best advice: Do not postdate a check.

**3. Pay to the Order of:** Never leave this blank, unless the payee uses a stamp. Some merchants now have the ability to print their business name and the amount on the check for you, requiring only your signature on the check. If you choose this method, be sure to check for accuracy before signing.

**4. Dollar Amount (Numerals):**

Make sure it is correct and clearly written.

**5. Amount Line (Written):**

Make sure the written amount matches the numerical amount. Financial institutions pay the check according to the written amount.

**6. Notation Area:**

For personal use to make a note.

**7. Signature:**

Always sign the check as your name appears on your check (which should match the signature card at the financial institution).

**8. Bank Routing Number:**

Used for automated processing.

**9. Account Number:**

Issued to your account.

## COMMON CHECK-WRITING ERRORS

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- **Illegible:** Make sure all parts of the check can be read.
- **Empty spaces:** It is easy to forge a check if there are empty spaces. Always complete the entire check.
- **Only filling in the numbers:** It is important to complete the entire check. Remember: The written amount is the amount that will be paid.
- **Not signing the check:** If a creditor returns a check to you for your signature, it could result in late charges.
- **Not signing your name as it appears on the check:** Always sign your name as it appears on the check and on your signature card at the financial institution.
- **Not lining through after the dollar amount:** Always fill the entire line. If your handwriting is small, this is particularly important. This is one of the most likely places on a check that could be forged.
- **Initialing errors:** If you make a mistake on your check, it is best to write “VOID” on your check and in your check register, and then write another check.
- **Writing in pencil:** Never write a check in pencil or erasable pen because it is easy to forge. A check is a contract, and contracts are null and void if written in pencil.

## ENDORISING A CHECK

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When depositing checks, you will need to endorse (sign) the check. An endorsement transfers ownership of a check. If you do not correctly endorse the check, it may be returned to you. For example, if your account reads “James Smith,” but everyone knows you as “Jim Smith,” you may receive checks payable to “Jim Smith.” When endorsing the check, sign your name both ways, first as it appears on the check, then as it really should be. There are three main types of endorsements:

**Blank:** Endorse the check by signing your name on the back. With a blank endorsement, if the check is lost, it can be easily cashed by anyone. Therefore, it is a good idea to only use this type of endorsement when you are cashing a check, and it is best to wait until you are at your bank or credit union to endorse the check.

**Restrictive:** This type of endorsement restricts the future use of a check. Writing “For Deposit Only” on the back of a check prevents its use for any other purpose. This endorsement will protect your check if it is lost or stolen because it can only be deposited to the account you specify.

**Special:** When you want to transfer ownership to someone else, write “pay to the order of” and the other person’s name on the back of the check. For example, if you transfer a check to Robert L. Jones, write “Pay To The Order Of Robert L. Jones” on the back of the check and endorse the check. Robert L. Jones will then endorse the check to negotiate it. The last endorser is always responsible for the check.

# Electronic Banking Safety Tips

## ATM AND ATM CARD SAFETY TIPS

- Sign the back of your card as soon as you receive it.
- Memorize your PIN and do not give it to anyone. Do not write your PIN on your card or keep the number in your wallet.
- For your personal safety and the protection of your money, limit ATM use to machines that are well-lit and in locations that are clearly visible from the street or from foot traffic.
- Watch out for “shoulder surfers.” Be aware of people around the ATM, and do not let anyone watch you enter your PIN. Cover the keypad with your hand as you enter your PIN.
- Keep track of all of your ATM transactions. When you take money out of the ATM, it does come out of your account!
- Be aware of any loose or odd-looking card readers at the ATM that might indicate card skimming. Identity thieves use skimming readers to capture account data stored in the magnetic strip of your ATM card, debit card or check card. The account data can be used to reload a new card. Thieves will place a small camera near the ATM to capture your PIN and use the new card to withdraw funds from your account.
- Put your money away safely before leaving the ATM area.



## ONLINE AND MOBILE SAFETY TIPS

- Never use public computers or wireless hotspots to conduct financial transactions; log out of your account and close your Internet browser after accessing your account.
- Use firewalls, anti-virus software, pop-up blockers and security patches to prevent hackers from accessing your computer.
- Do not open email or download attachments from unknown sources; you could unknowingly allow spyware onto your computer.
- Use strong passwords consisting of a combination of letters and numbers, and never use the same password for all of your accounts.
- Do not allow your personal computer to save your account password, and password-protect your computer login and smartphone to prevent others from accessing account information.
- Verify that your bank uses a minimum of 128-bit encryption for mobile banking.
- Sign up for account alerts that notify you when fraudulent activity is detected or account balances fall below a specified amount.
- Maintain a personal record of account transactions so you can identify any fraudulent transactions.
- Take advantage of all security services offered by your institution to help protect your account.
- Report a lost or stolen phone immediately to the bank, not just the cellphone service provider, and arrange to deactivate the mobile banking service.

